

Prospectus Dated November 16, 2000

Application has been made to the Monetary Authority of Singapore (the "MAS") for permission to deal in, and for quotation of, all the ordinary shares of par value S\$0.01 each (each a "share") in the capital of Singapore Exchange Limited (the "Company") on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST. Acceptance of applications for our Shares will be conditional upon permission being granted to deal in, and for quotation of, all our shares. Moneys paid in respect of any application accepted will be returned, without interest or any share of revenue or other benefit arising therefrom and at the applicant's own risk, if the said permission is not granted.

All the Shares are being offered by SEL Holdings Pte Ltd, a special purpose entity ultimately owned by Temasek Holdings (Private) Limited. SEL Holdings Pte Ltd holds the shares for the benefit of the Financial Sector Development Fund of Singapore and will transfer the net proceeds of any sale of shares made pursuant to the Invitation (as defined herein) to the Financial Sector Development Fund of Singapore (the "FSDF"). We will not receive any of such net proceeds except to the limited extent described herein. The shares offered by SEL Holdings Pte Ltd pursuant to the Invitation are referred to herein as the "Shares".

We have received in-principle approval of the MAS for the listing and quotation of our shares on the SGX-ST. The MAS assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries or our shares.

A copy of this prospectus together with copies of the Application Forms (as defined herein), have been lodged with, and registered by, the Registrar of Companies and Businesses in Singapore who takes no responsibility for its contents.

Investing in our Shares involves risks which are described in the "Risk Factors" section beginning on page 16 of this prospectus.

In conjunction with the public offering in Singapore, there is a placement of 190,000,000 Placement Shares (as defined herein) (i) to qualified institutional buyers in the United States in reliance on Rule 144A under the United States Securities Act of 1933, as amended, and (ii) to certain persons outside the United States (including investors in Singapore) in offshore transactions in reliance on Regulation S under the United States Securities Act of 1933, as amended, and other applicable laws. SEL Holdings Pte Ltd is also making a separate but concurrent strategic private placement of up to 150,000,000 shares in Singapore Exchange Limited which does not constitute part of the Invitation.

In connection with the Invitation, SEL Holdings Pte Ltd has granted to the Global Coordinators an over-allotment option (the "Over-allotment Option") exercisable by Merrill Lynch (Singapore) Pte. Ltd., in consultation with The Development Bank of Singapore Ltd, in whole or in part, on or before the date which is 30 days after the commencement of trading in our shares on the SGX-ST, to purchase up to an aggregate of 41,700,000 shares (which is equal in number to 15.0 per cent. of the total Invitation Shares) at the Offering Price (as defined herein), solely to cover over-allotments, if any.



Singapore Exchange Limited

(Incorporated in the Republic of Singapore with limited liability on 21 August 1999)

Invitation in respect of 278,000,000 existing shares of par value S\$0.01 each comprising:

- (1) 88,000,000 Offer Shares (as defined herein) at S\$1.10 each, comprising:
 - (a) 75,000,000 Offer Shares by way of public offer; and
 - (b) 13,000,000 Offer Shares reserved for employees and business associates of, and others who have contributed to the success and development of, our Group (as defined herein) (the "Reserved Shares"); and
- (2) 190,000,000 Placement Shares (as defined herein) at S\$1.10 each by way of placement,
(subject to an Over-allotment Option of up to 41,700,000 shares as described herein)
payable in full on application.

Joint Lead Managers and Global Coordinators



Underwriters



Co-underwriters

**ABN AMRO ASIA MERCHANT BANK
(SINGAPORE) LIMITED**

**BNP PARIBAS PEREGRINE SECURITIES
PTE. LTD.**

BT BROKERAGE & ASSOCIATES PTE LTD

CLSA SINGAPORE PTE LTD

**CREDIT SUISSE FIRST BOSTON
(SINGAPORE) SECURITIES PTE LIMITED**

**DAIWA SECURITIES SB CAPITAL
MARKETS INVESTMENT SERVICES
PTE LTD**

DMG & PARTNERS SECURITIES PTE LTD

FRASER SECURITIES PTE LTD

G. K. GOH STOCKBROKERS PTE LTD

GRAND ORIENT SECURITIES PTE LTD

ING BARINGS SOUTH EAST ASIA LIMITED

**JARDINE FLEMING SINGAPORE
SECURITIES PTE LTD**

J. M. SASSOON & CO. (PTE) LTD.

KAY HIAN PRIVATE LIMITED

KEPPEL SECURITIES PTE LTD

**KIM ENG SECURITIES (PRIVATE)
LIMITED**

LIM & TAN SECURITIES PTE LTD

LUM CHANG SECURITIES PTE LTD

MILLENNIUM SECURITIES PTE LTD

**N M ROTHSCHILD & SONS
(SINGAPORE) LIMITED**

**NOMURA SECURITIES SINGAPORE
PTE LTD**

OCBC SECURITIES PRIVATE LIMITED

ONG & COMPANY PRIVATE LIMITED

OUB SECURITIES PTE LTD

PHILLIP SECURITIES PTE LTD

RHB-CATHAY SECURITIES PTE LTD

SUMMIT SECURITIES (S) PTE LTD

**UBS WARBURG & ASSOCIATES
(SINGAPORE) PTE LTD**

UOB SECURITIES PTE LTD

VICKERS BALLAS & CO. PTE LTD

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You should rely only on the information contained in this prospectus. Neither we (Singapore Exchange Limited), the Selling Shareholder nor the Global Coordinators, the Underwriters or the Strategic Private Placement Agent have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover only. Our business, financial condition, results of operations and prospects may have changed since that date.

We and the Selling Shareholder are relying on an exemption from registration under the U.S. Securities Act of 1933 for offers and sales of securities that do not involve a public offering in the United States. By purchasing these securities, you will be deemed to have made the acknowledgments, representations, warranties and agreements described under the heading “Notice to Investors” in this prospectus.

We are not, and the Selling Shareholder, the Global Coordinators and the Underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. We, the Selling Shareholder, the Global Coordinators and the Underwriters are not making any representation to any purchaser of the securities regarding the legality of an investment in the securities by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this prospectus to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the securities.

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense in the United States.

Our financial statements are prepared in accordance with Singapore generally accepted accounting principles (“Singapore GAAP”), which differ from United States generally accepted accounting principles (“U.S. GAAP”). See “Summary of Significant Differences Between Generally Accepted Accounting Principles in Singapore and the United States.”

Solely for the convenience of the reader, this prospectus contains translations of certain currencies into U.S. dollars at the rate of: US\$1 = S\$1.73 and US\$1 = ¥104.23. No representation is made that the amounts set forth could have been converted into U.S. dollars at any rate or at all.

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

SINGAPORE LISTING DETAILS

The customary information relating to the listing of our shares on the SGX-ST and the public offering in Singapore, in particular, is set out on the following pages:

Details of the Invitation	S-1
Indicative Time-Table for Listing	S-3
Invitation Statistics	S-4

The terms and conditions and procedures for applications relating to the public offering in Singapore are found in Appendices S-D, S-E, S-F and S-G.

CORPORATE INFORMATION

Board of Directors	Joseph Yuvaraj Pillay (<i>Chairman</i>) Thomas A. Kloet (<i>Executive Director</i>) Richard J. Gnodde (<i>Non-Executive Director</i>) Goh Yew Lin (<i>Non-Executive Director</i>) Ho Tian Yee (<i>Non-Executive Director</i>) Victor Liew Cheng San (<i>Non-Executive Director</i>) Low Check Kian (<i>Non-Executive Director</i>) Hidetoshi Mine (<i>Non-Executive Director</i>) Robert Michael Stein (<i>Non-Executive Director</i>) George Teo Eng Kim (<i>Non-Executive Director</i>) Wong Ngit Liong (<i>Non-Executive Director</i>)
Company Secretary	Joyce Fong Foong Chao, LLB (Hons), LLM
Registered Office	20 Cecil Street #26-01/08 Singapore Exchange Singapore 049705
Registrar and Share Transfer Office	Lim Associates (Pte) Ltd 10 Collyer Quay #19-08 Ocean Building Singapore 049315
Joint Lead Managers and Global Coordinators for the Invitation	Merrill Lynch (Singapore) Pte. Ltd. 1 Temasek Avenue #28-01 Millenia Tower Singapore 039192 The Development Bank of Singapore Ltd 6 Shenton Way DBS Building Tower One Singapore 068809
Counsel for the Invitation (as to United States law)	Cravath, Swaine & Moore Suite 2609, Asia Pacific Finance Tower 3 Garden Road, Central Hong Kong
Counsel for the Invitation (as to Singapore law)	Allen & Gledhill 36 Robinson Road #18-01 City House Singapore 068877

Independent and Reporting
Accountants

PricewaterhouseCoopers
Certified Public Accountants
8 Cross Street #17-00
PWC Building
Singapore 048424

Principal Bankers

Citibank, N.A.
3 Temasek Avenue #16-00
Centennial Tower
Singapore 039190

The Development Bank of Singapore Ltd
6 Shenton Way
DBS Building
Tower One
Singapore 068809

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

Overseas Union Bank Limited
1 Raffles Place
OUB Centre
Singapore 048616

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

SUMMARY

The following summary does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by, the detailed information appearing elsewhere in this prospectus. The terms “we” and “our company” as used in this prospectus refer to “Singapore Exchange Limited and its subsidiaries” as a combined entity, except where it is clear that such terms mean only the parent company. Please see the glossary for other defined terms.

Who We Are

We own and operate the only integrated securities exchange and derivatives exchange in Singapore and their related clearinghouses. Our exchanges have a presence and prominence that extends beyond the borders of Singapore. The securities exchange was the first fully electronic and floorless exchange in Asia. It has been home to the listing of the leading companies in Singapore, whose economy is one of the most developed in Asia, and at the forefront of Asian exchanges in attracting listings of companies from other countries. The derivatives exchange is one of the largest in Asia and was named “Derivatives Exchange of the Year” in 1989, 1992, 1993 and 1998 by the International Financing Review and “Asia’s Best Derivatives Exchange in 1999” by The Asset magazine. Together, the two exchanges serve a wide array of international and domestic investors and end users, including many of the world’s largest financial institutions, and have been among the most innovative exchanges in the world in technological and new product development.

As a self-regulatory organization, we engage in extensive regulation and monitoring of our members as well as market activities in order to minimize the risk of default and ensure market integrity. We believe our markets are among the best regulated in the world, which is vital to attracting and retaining the participation of international investors.

We have been consistently dedicated to developing alliances and new products in order to meet the changing needs of the international and domestic financial communities. We were a founding member of the GLOBEX Alliance which today includes the Chicago Mercantile Exchange (the “CME”), the ParisBourse SBF SA and several other derivatives exchanges throughout the world. We also have alliances or significant relationships with the CME, the American Stock Exchange (“AMEX”), the Australian Stock Exchange (“ASX”), and the National Stock Exchange of India. We have introduced a variety of securities and derivatives products to respond to investors’ desires for 24-hour trading, diversification and trading across markets.

We were formed in 1999 in order to effectuate the demutualization and merger of the two exchanges. In 1998, the government of Singapore commenced a process to demutualize and merge the two exchanges in order to enhance their competitive position and to respond to global trends. Prior to the merger, each exchange was owned by the member firms that engaged in trading and clearing and settlement functions. Pursuant to legislation adopted to effect the merger, SGX was created to own the exchanges and their related clearinghouses, and the former owners and seatholders were given shares in SGX in exchange for their shares and seats in the two exchanges.

Today, our business is organized as follows:

- **The Securities Market**—we use this term to refer to the activities of Singapore Exchange Securities Trading Limited (“SGX-ST”, formerly known as the Stock Exchange of Singapore Limited (“SES”)) and The Central Depository (Pte) Limited (“CDP”), the clearinghouse and depository for the securities market, both of which are wholly owned subsidiaries of SGX;
- **The Derivatives Market**—we use this term to refer to the activities of Singapore Exchange Derivatives Trading Limited (“SGX-DT”), formerly known as the Singapore International Monetary Exchange Limited (“SIMEX”), and Singapore Exchange Derivatives Clearing Limited (“SGX-DC”), our clearinghouse for derivatives trading, both of which are wholly owned subsidiaries of SGX; and

- **The IT Solutions Division**—we use this term to refer to the activities of Singapore Exchange IT Solutions Pte Limited (“SGX-ITS”), a wholly owned subsidiary that offers ancillary securities processing and information technology services to financial sector participants.

Our Strengths

We believe our principal strengths include the following:

- **Diversified Business**—Because we operate both a derivatives and a securities exchange, as well as their respective clearinghouses and a securities depository, our earnings stream and business risks are diversified. Different economic conditions, for example, may affect the volume and value of securities and derivatives trading differently.
- **Comprehensive Services**—Because we perform all steps in the value chain of our businesses—order routing, trading, matching, clearing, settlement and depository functions—we can provide a greater range of services, as well as better quality services, than many of our competitors. Because of our vertical integration, we can leverage the technological and other assets we have (such as our extensive customer base) to offer additional complementary services, such as back office functions for brokers and e-commerce activities.
- **Innovative Products and Alliances**—We are innovative in responding to the needs of the international financial sector for products and trading platforms. The Derivatives Market was the first Asian exchange to offer Eurodollar futures and the first exchange in the world to offer Japanese and Taiwanese stock index futures. In 1984, the Derivatives Market and CME created the world’s first electronic mutual offset system for Eurodollar and later Euroyen futures trading, which has been arguably the most successful alliance between exchanges. The Securities Market introduced one of Asia’s first small capitalization boards, a market dedicated to the capital raising efforts of smaller companies.
- **Extensive Individual Account System**—Unlike most other depositories where only clearing members have accounts, our wholly owned depository uses a system whereby each individual investor may have his own individual direct account or a sub-account with an approved depository agent. This system not only reduces risk of error, delay or loss in settlement of securities, but it also provides an asset that we can leverage to provide ancillary services and develop related business activities.
- **Technological Innovation**—We have highly developed electronic systems for order entry, trading, clearing and settlement and depository services and have always emphasized investment in technology. In March 1989, the Securities Market was the first exchange in Asia to replace a conventional trading floor with an electronic system. We are currently creating an open application program interface (“API”) to our trading platforms to facilitate access by end-users, as well as a common order entry screen for derivatives and securities trading.
- **Self-Regulatory Organization**—We perform most of our own risk management and regulatory functions. We believe ECNs and other non-traditional trading networks that do not have a history of self-regulation may find it difficult to satisfy market participants’ concerns in this regard.
- **Strength, Stability and Integrity of Singapore**—Our exchanges benefit from the strength and reputation of the Singapore government and economy. Singapore’s robust economy, well developed financial sector, political stability and reputation for sound regulation have all contributed to creating financial markets that are widely regarded as fair, orderly and transparent.
- **Well-Positioned for Regional Activities**—Because Singapore is a center for financial market activity for Asia generally, we are well-positioned to engage in regional activities.

Our Strategy

As technology advances and competition intensifies globally, our challenge is to respond to desires for improved price discovery, lower costs, faster trading, better execution and greater access. The principal elements of our strategy will be as follows:

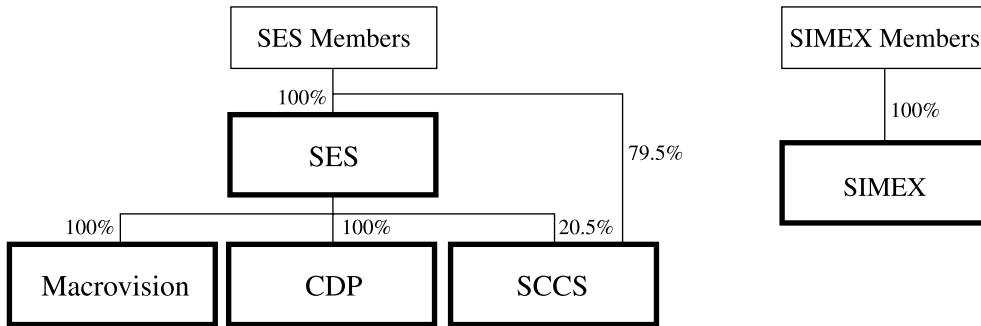
- ***Providing Open Access to Trading, Clearing and Settlement Systems***—We are developing an open API for our securities trading system, which will position us to take advantage of the growing use of the Internet as a commerce medium. We will also implement a common order routing gateway so that a customer can have simultaneous access to both securities and derivatives trading from a common screen. We will also provide brokers with a complete interface with our clearing and settlement systems so that they can link up their own back-office processing system.
- ***Expanding Distribution of our Products***—Effective October 1, 2000, broker commissions were deregulated. In addition to being a stimulus to participation in its own right, we believe this change will complement our open access policies and stimulate the creation of order routing systems and Internet trading. We are also restructuring membership categories and financial requirements to reflect the demutualized status of our exchanges and to promote participation among Singapore and foreign financial institutions.
- ***Developing Alliances with Other Exchanges that Position SGX as a Leader in Creating Market Access***—We have recently reached an agreement with ASX that will allow brokers on each exchange to trade selected stocks listed on the other exchange. We believe this venture, which does not subject either exchange to risk losing volume through dual listings, can serve as a model for regional cooperation. We have also reached an agreement with AMEX to create and promote the Exchange Traded Funds (“ETFs”) business in Singapore.
- ***Developing New Products that Target Investor Needs***—We believe there are continually opportunities to develop new products that address the needs of financial market participants. The Derivatives Market recently reached an agreement with the National Stock Exchange of India and has launched a futures product based on a leading index of Indian equities. The Securities Market also plans to trade ETFs in collaboration with AMEX.
- ***Developing Ancillary Services that Leverage Our Strengths***—We intend to offer ancillary services to the financial community that capitalize on some of our operational strengths and assets. These will include information technology solutions to brokers and other financial institutions that draw on our strength in automated processing of trading, clearing and settlement functions. In addition, we believe our securities depository customer base, together with our technological expertise, gives us an opportunity to develop complementary e-commerce activities.
- ***Facilitating the Development of a Stock Borrowing and Lending Business***—We believe we can lead the development of a stock borrowing and lending market in Singapore by utilizing, with the consent of the owners, the securities immobilized at our securities depository. Such a market would increase investor trading options, increase liquidity of the Securities Market, and promote the development of a stock options market, as well as create a new revenue stream for us.

Our offices are located at 20 Cecil Street, #26-01/08, Singapore Exchange, Singapore 049705. Our telephone number is (65) 236-8888. The address of our website is www.sgx.com. Information contained on this website does not constitute part of this prospectus.

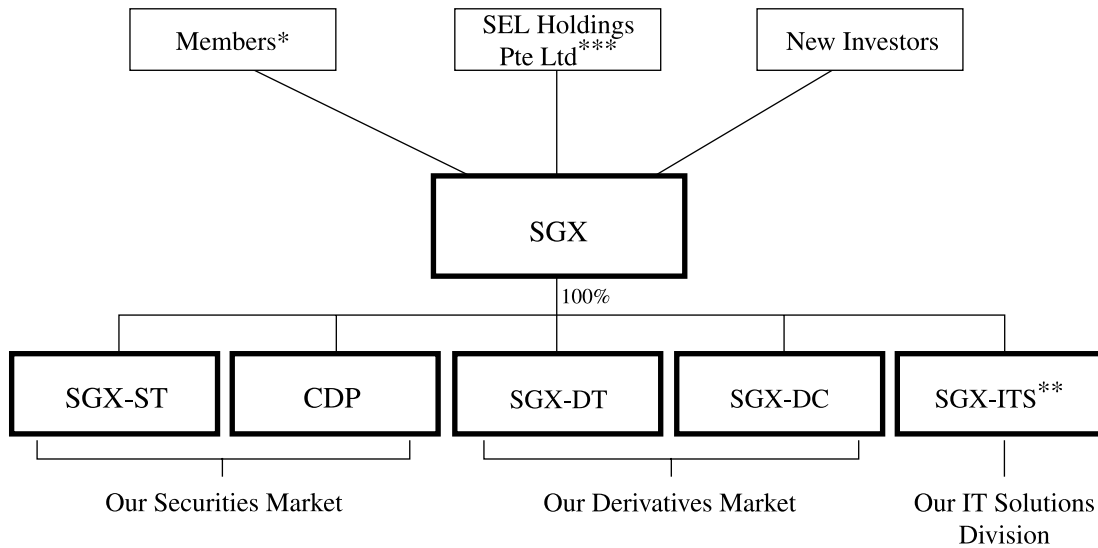
Our Corporate Structure

The following sets forth the organizational structure of SES and SIMEX prior to the Merger and of SGX after the Merger and the Offering. This shows only the principal subsidiaries of SES, SIMEX and SGX.

Before the Merger



After the Merger and the Offering



* Consists of persons that were SES members, SIMEX members or SIMEX seatholders at December 1, 1999 and that received SGX shares pursuant to the Merger Act, or their transferees with respect to such shares
 ** Formerly Macrovision
 *** Pursuant to the Merger Act, SEL Holdings Pte Ltd cannot exercise or control the exercise of the votes attached to our shares, which are held by SEL Holdings Pte Ltd for the benefit of the Financial Sector Development Fund

The Offering

Shares offered by the Selling Shareholder	428,000,000 Shares
Selling Shareholder	SEL Holdings Pte Ltd, a special purpose entity ultimately owned by Temasek Holdings (Private) Limited.

The Offering consists of:

— The Invitation, which consists of:

Retail Offer 88,000,000 Shares offered in Singapore by way of a public retail offer underwritten by the Underwriters. 13,000,000 Shares to be offered in the Retail Offer are reserved for employees and business associates of, and others who have contributed to the success and development of, SGX. These reserved Shares will be offered on the same terms as the Shares offered pursuant to the Retail Offer. In the event that any such reserved Shares are not sold, they may be made available to satisfy excess applications (if any) made for Shares in the Retail Offer.

Institutional Placement 190,000,000 Shares offered to qualified institutional buyers within the United States in reliance on Rule 144A under the U.S. Securities Act and outside the United States (including investors in Singapore) in offshore transactions in accordance with Regulation S under the U.S. Securities Act. The Global Coordinators have agreed to purchase or procure purchasers for such Shares.

— The Strategic Private Placement Up to 150,000,000 Shares offered to qualified institutional buyers within the United States in reliance on Rule 144A under the U.S. Securities Act and outside the United States (including investors in Singapore) in offshore transactions in accordance with Regulation S under the U.S. Securities Act. The Strategic Private Placement Agent has agreed to assist the Selling Shareholder in identifying purchasers for such Shares on a best efforts basis. Because such Shares are being offered on a best efforts basis, it is possible that the Selling Shareholder will not sell all such Shares. The Selling Shareholder intends to give limited preference in allocating such Shares to persons who are shareholders of SGX as of October 20, 2000, provided such persons agree to certain transfer restrictions. Such limited preference may not be transferred by such persons. See “Plan of Distribution” and “Notice to Investors.”

Offering Price per share	S\$1.10
Shares to be outstanding after the Offering	1,000,000,000 shares. See “The EGM—Capital Restructuring.”
Over-allotment Option	The Selling Shareholder has granted to the Global Coordinators an over-allotment option exercisable by Merrill Lynch, in consultation with DBS Bank, in whole or in part, on or before the date which is 30 days after the commencement of trading in our shares on the SGX-ST, to purchase up to an aggregate of 41,700,000 shares (which is equal in number to 15.0% of the total number of Shares offered in the Invitation) at the Offering Price, solely to cover over-allotments, if any, in connection with the Invitation. Unless otherwise noted, this document assumes the over-allotment option is not exercised.
Use of proceeds	<p>We will not receive any of the proceeds from the Offering, except that the Selling Shareholder will subscribe for the Shares at par value and will pay certain of our expenses. Pursuant to the Merger Act, the Selling Shareholder will use the proceeds as follows:</p> <ul style="list-style-type: none"> —to pay the expenses and fees associated with the demutualization of SES and SIMEX, the formation of SGX and the Selling Shareholder and the Offering, and —the remaining proceeds will be paid by the Selling Shareholder to the FSDF. See “The Merger.”
Market and listing	Prior to the Offering, there has been no public market for our shares. We have received in-principle approval from the MAS to list our shares on the SGX-ST.
Closing:	
The Invitation	The closing of the Retail Offer and the Institutional Placement are conditional on one another and will occur simultaneously. Because the Shares offered in the Strategic Private Placement are being offered on a best efforts basis, there is no assurance that the Selling Shareholder will sell all such Shares, and the sale of all or any of such Shares is not a condition to the closing of the Retail Offer or the Institutional Placement.
The Strategic Private Placement	We and the Selling Shareholder currently expect that the closing of any sales under the Strategic Private Placement will occur at the same time as the closing of the Retail Offer and the Institutional Placement. However, the Selling Shareholder reserves the right to close sales under the Strategic Private Placement whether or not the closings of the Retail Offer and the

Settlement	<p>Institutional Placement have occurred, in which case purchasers of such Shares will be advised by means of a supplement to the Private Placement Memorandum issued in connection with the Strategic Private Placement.</p> <p>Unless otherwise noted, this document assumes that all Shares offered in the Strategic Private Placement are sold concurrently with the closing of the Retail Offer and the Institutional Placement.</p> <p>We expect that the Selling Shareholder will sell the Shares offered pursuant to this prospectus on or about November 22, 2000. We expect that the shares will commence trading on the SGX-ST on a “when issued” basis on or about November 23, 2000 and on a “ready” basis on or about December 5, 2000. For details of the indicative timetable for listing and trading, see page S-3 of this prospectus. Generally, the shares will be held and will trade in book-entry form in accordance with the rules of SGX-ST and CDP. For a description of the settlement procedures for transfers of the shares, see “Clearing and Settlement.”</p>
Risk factors	<p>Prospective investors should review carefully the matters set forth under the caption “Risk Factors.”</p>
Transfer restrictions	<p>Shares sold in the Strategic Private Placement may not be transferred to any person on or before the date which is 90 days after the closing date of the Offering. All other Shares sold in the Offering, and the Shares sold in the Strategic Private Placement after such first 90 days, are subject to certain restrictions on transfer set forth under “Notice to Investors.”</p>
Stabilization	<p>In connection with the Invitation, Merrill Lynch may, in consultation with DBS Bank, over-allot shares or effect transactions which stabilize or maintain the market price of our shares at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations. Such transactions, if commenced, may be discontinued at any time and shall not be effected after the earlier of (a) the date falling 30 days from the commencement of trading of our shares on the SGX-ST, or (b) or the date when the over-allotment of our shares which are subject to the over-allotment option has been fully covered (either through the purchase of our shares on the SGX-ST or the exercise of the over-allotment option by Merrill Lynch, or through both).</p>

Summary Pro Forma Financial and Operating Data

The following sets forth summary financial and operating data for SGX. All the financial data constitutes unaudited pro forma information that gives effect to the Merger as if it occurred on July 1, 1997, except in the case of the balance sheet data as of June 30, 2000, which is derived from the audited consolidated balance sheet of SGX as of such date. The pro forma financial information is based on certain audited consolidated financial statements of SGX and its predecessors, SES, SCCS and SIMEX, as well as unaudited consolidated management accounts of SIMEX that have been prepared in conformity with the generally accepted accounting principles in Singapore. You should read the following financial and operating data in conjunction with our consolidated pro forma financial information, our consolidated financial statements and the related notes, "Selected Historical Financial Data," "Selected Pro Forma Financial and Other Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	Pro Forma		
	Twelve Months Ended June 30,		
	1998	1999	2000
	(in millions, except per share data)		
Profit and Loss Accounts			
Operating revenue			
Clearing fees (net of rebates)	S\$ 94.8	S\$139.3	S\$139.8
Rental of computer terminals	24.2	23.7	26.0
Account maintenance and processing fees	33.3	33.6	41.3
Listing and membership fees	9.6	7.5	12.8
Price information fees	6.4	6.2	7.0
Other operating revenue	13.0	13.3	11.4
Total operating revenue	181.3	223.6	238.3
Operating Expenses			
Staff costs	38.3	41.7	50.0
Occupancy costs	10.4	10.5	11.1
Depreciation	13.3	13.0	19.0
Equipment maintenance and rental	8.5	11.2	14.6
Other operating expenses	10.7	14.9	17.5
Total operating expenses	81.2	91.3	112.2
Profit from operating activities	100.1	132.3	126.1
Net non-operating income	20.5	26.6	18.9
Profit before tax	120.6	158.9	145.0
Tax	(28.4)	(32.4)	(37.1)
Net profit after tax and before contribution to fidelity funds	92.2	126.5	107.9
Contribution to fidelity funds	(4.5)	(5.1)	(5.6)
Net profit after tax and contribution to fidelity funds	S\$ 87.7	S\$121.4	S\$102.3
Earnings per share			
basic ⁽¹⁾	S\$1,423	S\$1,969	S\$1,658
diluted ⁽²⁾	S\$1,409	S\$1,949	S\$1,642
Number of shares used to compute basic earnings per share	61,670	61,670	61,670
Number of shares used to compute diluted earnings per share	62,286	62,286	62,286
Post-Offering earnings per share			
basic ⁽³⁾	S\$0.09	S\$0.12	S\$0.10
diluted ⁽⁴⁾	S\$0.09	S\$0.12	S\$0.10
Post-Offering number of shares used to compute basic earnings per share	1,000,000,000	1,000,000,000	1,000,000,000
Post-Offering number of shares used to compute diluted earnings per share	1,010,000,000	1,010,000,000	1,010,000,000
	As of June 30,		
	1998	1999	2000
	(in millions)		
	(pro forma)		(actual audited)
Balance Sheet Data			
Cash and cash equivalents	S\$ 492.2	S\$ 523.9	S\$ 601.4
Total assets	2,674.1	3,823.1	3,672.8
Shareholders' equity	663.0	783.9	797.4

	Twelve Months Ended June 30,				
	1996	1997	1998	1999	2000
	(dollars in billions)				
Operating Data					
Securities Market capitalization ⁽⁵⁾ (at period end)	S\$529.1	S\$578.1	S\$405.1	S\$488.9	S\$569.6
Securities Market turnover value ⁽⁵⁾	S\$101.0	S\$ 91.2	S\$108.9	S\$154.4	S\$185.0
Derivatives Market contracts traded (millions)	22.0	22.4	25.8	27.9	27.2
Derivatives Market open interest (thousands of contracts at period end)	584.9	775.1	977.6	988.6	761.5

- (1) We computed pro forma basic earnings per share for all years presented by dividing pro forma profit after tax and after contribution to fidelity funds for the period by the number of issued shares outstanding at June 30, 2000.
- (2) We computed pro forma diluted earnings per share for all years presented by dividing pro forma profit after tax and after contribution to fidelity funds for that period by the number of issued shares at June 30, 2000 adjusted for the assumed full exercise of options granted to a director and outstanding on June 30, 2000. We have not taken into account the options that may be granted pursuant to the SGX Share Option Plan. See “Management—Employee Benefit Plans—SGX Share Option Plan.”
- (3) We computed pro forma post-Offering basic earnings per share for all years presented by dividing pro forma profit after tax and after contribution to fidelity funds for that period by 1,000,000,000 shares, which is the number of shares that will be outstanding after giving effect to the Capital Restructuring and the shares issued to the Selling Shareholder in connection with the Offering. See “The EGM—Capital Restructuring.”
- (4) We computed pro forma post-Offering diluted earnings per share for all years presented by dividing profit after tax and after contribution to fidelity funds for that period by 1,010,000,000 shares, which equals the number of the shares outstanding as per note (3) above, adjusted for the full exercise of options granted to a director and outstanding on June 30, 2000. We have not taken into account the options that may be granted pursuant to the SGX Share Option Plan. See “Management—Employee Benefit Plans—SGX Share Option Plan.”
- (5) Includes Main Board, SESDAQ and CLOB International.

RISK FACTORS

Prospective purchasers of the Shares should consider all the information contained in this prospectus, including the following risk factors.

We Depend on Market Activity That is Outside of Our Control

Our revenues are highly dependent upon the level of activity on our exchanges, including the volume and value of securities and derivatives contracts traded, the number and market capitalization of listed entities, the number of new entity listings, the number of traders in the market and similar factors.

We have no direct control over such variables. Among other things, they are dependent upon the relative attractiveness of securities and derivatives contracts traded on our exchanges, and the relative attractiveness of the exchanges as a place to trade any such securities and derivatives contracts as compared to other exchanges and other trading vehicles. Such variables are in turn influenced by the overall economic conditions in Singapore and Asia in particular and in the world in general, particularly growth levels and political stability, the regulatory environment for investment in quoted securities and derivatives contracts and the relative activity and performance of global markets. The level of trading on our Securities Market is dependent in particular on the prospects of Singapore-based companies. The level of trading on our Derivatives Market is dependent in particular upon global and regional economic volatility.

We may be able to have an indirect influence on the volume and value of trading by measures such as providing efficient, reliable and low-cost trading, clearing and settlement facilities, supervising market participants and market activity to promote market integrity, seeking to maximize the availability of timely, reliable information upon which research, advice and investment decisions can be based and maximizing the ease of access to trading facilities. However, no assurance can be given that any such measures currently being undertaken or to be undertaken in the future by us will have such a positive effect or effectively counteract the factors described above that are outside of our control.

Most of our expenses are fixed costs that cannot be readily lowered in response to reductions in our revenues. As a result, any reduction in revenue resulting from these factors would have an adverse effect on our results of operations.

We Face Intense Competition from Other Exchanges and New Technologies

We face intense competition from other securities and derivatives exchanges, both regionally and globally, as well as ECNs and other non-traditional trading networks. This competition is likely to intensify in the near future, especially as technological advances create pressure toward faster trading and global or regional markets.

We May Be Adversely Affected by Competition Among Exchanges

Our exchanges, particularly the Securities Market, are smaller than some other exchanges in Asia, and both exchanges are significantly smaller than a large number of exchanges in North America and Europe. For example, the Securities Market had 397 listed entities (including 49 foreign entities) with a market capitalization for domestic companies of S\$329.9 billion (US\$198.0 billion) at December 31, 1999, whereas at the same date the New York Stock Exchange (“NYSE”) had 3,025 listed entities (including 406 foreign entities) and a market capitalization for domestic companies of US\$11,437.6 billion, the Tokyo Stock Exchange had 1,935 listed entities (including 43 foreign entities) and a market capitalization for domestic companies of ¥456,027 billion (US\$4,455.3 billion) and the Stock Exchange of Hong Kong had 708 listed entities (including 13 foreign entities) and a total market capitalization for domestic companies of HK\$4,734.8 billion (US\$609.1 billion). For comparison purposes, all such data is from the International Federation of Stock Exchanges (the “FIBV”). The data with respect to market capitalization for the Securities Market differs slightly from our own data. The

Derivatives Market traded 25.9 million contracts in 1999, whereas Eurex traded 314 million contracts, the Chicago Board of Trade (“CBOT”) traded 254.6 million contracts, CME traded 200.7 million contracts, the Korea Stock Exchange (“KSE”) traded 97.1 million contracts and the Sydney Futures Exchange (“SFE”) traded 29.8 million contracts during the same period. Our size may put us at a competitive disadvantage in seeking to maintain and enhance our position. This is particularly true as the pressures toward global or regional trading increase. Although there are avenues of cooperation among exchanges, each exchange faces pressure to be the securities or derivatives exchange of choice. This can lead to competition for listings, participants and new products, which may have an adverse impact on our results of operations and businesses.

We May Be Adversely Affected by Mergers and Alliances Among Exchanges

There is a trend among exchanges to form alliances, as well as pressure to consolidate. For example, the Nasdaq Stock Market has formed an alliance with Hong Kong Exchanges and Clearing Ltd. (“HKEx”) which includes co-trading and information sharing arrangements. Eurex was formed in 1998 by the combination of the German derivatives exchange (DTB) and the Swiss derivatives exchange (SOFFEX). The ParisBourse SBF SA, the Amsterdam Exchanges N.V. and the Brussels Exchanges Limited have merged to form Euronext. The London Stock Exchange and the Deutsche Börse had announced plans to merge to form iX—international exchanges plc, but this proposal was recently terminated.

In addition, each of the Nasdaq Stock Market and NYSE appears to be seeking to form a global alliance with other exchanges. While we have had discussions with both exchanges and have an alliance with ASX, we are not currently a member of a global securities alliance. Although the global alliances are still at the discussion stage, the consolidation and alliance activity among exchanges may increase and may result in strengthening the competitive position of some regional exchanges to the detriment of others. We cannot assure you that we will be included in any such alliance, and any such developments could materially adversely affect us.

There is a similar trend in the derivatives markets to form global alliances. We are a founding member of the GLOBEX Alliance but competing alliances such as the Eurex-CBOT alliance may be more successful in attracting new partners. We cannot assure you that the alliances we have made will be successful.

We May Be Adversely Affected by Competition from ECNs and Non-Traditional Trading Networks

We also face intense competition from new trading technologies that threaten to diminish the role of traditional exchanges, and particularly smaller exchanges, in the global securities and derivatives markets. In many respects, competition from ECNs and other initiatives such as Jiway and BrokerTec Global LLC could be more of a threat to us than competition posed by other exchanges. The development of alternative trading systems, such as Island, Instinet and Archipelago, are increasingly gaining ground in institutional trading and offering an effective bypass to traditional exchanges. The government of Singapore recently granted one ECN exempt stock market status to offer institutional investors an electronic trading platform for bonds. In addition, third-party clearers who service ECNs could displace clearinghouses. The entry into the securities and derivatives marketplace of technology companies which can disseminate market and other information and provide for the exchange of price data are a further threat to our business. Companies that have established strong Internet retail and distribution mechanisms might also seek to expand those to cover investment products. These developments may in turn reduce margins for exchanges and clearinghouses and increase the importance of scale efficiencies.

Our ability to continually maintain and enhance our competitiveness and respond to competitive threats will have a direct impact on our results of operations. There is no assurance that we will be able to continue to compete effectively.

Our Revenue Sources May Decline Over Time

Our primary revenue sources have in the past consisted of (i) clearing fees, (ii) fees from the rental of computer terminals, (iii) fees from account maintenance and ancillary “back office” or custodial services offered to brokers and other institutions, (iv) listing and membership fees and (v) fees from the sale of price information generated by our exchanges to third party distributors. The respective percentages of our pro forma combined revenues for the fiscal year ended June 30, 2000 from such sources were 59%, 11%, 17%, 5% and 3%. Competitive pressures and technological developments may adversely impact some or all of these revenue sources, particularly clearing fees, computer rental fees and price information fees.

Clearing Fees

In our Securities Market, we currently charge a single “bundled” clearing fee that covers clearing, settlement and custody. We do not charge a fee for trade matching. The clearing fee charged by our derivatives exchange covers matching, clearing and settlement. Because transaction costs impact volume, and because volume and liquidity are critical to any exchange’s success, we must ensure that our fees remain competitive. The pressures created by competition from other exchanges as well as ECNs could require us to lower our clearing and settlement charges. Alternatively, we may divide our bundled charges into separate fees for separate services, which may then make us more vulnerable to market pressures with respect to some or all of the separate charges. We cannot assure you that we can continue to generate the same level of revenue from such fees in the future.

Leasing of Terminals

As we implement an open gateway policy, we will no longer require market participants to use our own computer terminals in order to gain access to our information technology systems. As a result, we expect our revenues from the leasing of computer terminals to decline dramatically. Furthermore, with our move toward open access to both our trading system and the clearing and settlement systems, third-party technology providers may find it relatively easy to compete with the IT Solutions Division to supply order entry and back office solutions to securities brokers which could affect other revenue sources.

Provision of Information

The means by which market data is provided are subject to constant technological change and market pressure. Technological advances, in particular the Internet, may result in a deterioration of the value of information content and create difficulties in enforcing proprietary rights. The relative ease of downloading and disseminating information provided electronically creates practical difficulties in enforcing restrictions on the use of that information. Although our revenue from the distribution of market data has not been significant in the past, our opportunities to maintain and increase such revenues could be materially adversely affected by these factors in the future.

New Business Activities May Adversely Affect Existing Revenue Sources

In addition, we may enter new business activities that could have an adverse effect on our existing revenue sources. For example, alliances with other exchanges could adversely affect trading volume on our exchanges. A stock borrowing and lending business could also adversely affect other revenue sources. While we would expect to realize new revenue from such new activities, we cannot assure you that any such new revenue would offset any adverse impact on existing revenue sources.

Our Exchanges Depend on the Acceptance of Products We Offer, and Our Exchanges Continually Need to Develop and Introduce New Products

We and, in particular, our Derivatives Market, are dependent to a great extent on the development and introduction of new financial products and the acceptance by the investment community of such products. While

both the Securities Market and the Derivatives Market are constantly reviewing current products and, in consultation with market participants, developing new products that respond to the needs of the marketplace, there can be no assurance that we will continue to be successful in this regard. Current products may become outdated or lose market favor before adequate enhancements or replacements can be developed. Other exchanges or ECNs may introduce new products or product enhancements that reduce the attractiveness of our products. Even if we develop an attractive new product, we could lose trading volume to another exchange or an ECN that introduces a similar or identical product because of the competitor's larger size or greater efficiency. Furthermore, we may not receive regulatory approval in Singapore for new products we develop and may not receive regulatory approval from other jurisdictions to market our products in those jurisdictions. Any such event could have a material adverse effect on our results of operations.

We Are Heavily Dependent on Information Technology, and Malfunctions or Failures with Respect Thereto Could Adversely Affect Us

We are extremely dependent on our information technology systems. Our securities trading is conducted exclusively on an electronic basis. Our derivatives exchange relies on electronic processing once a trade is made in the open outcry system and also has an electronic trading platform. In addition, the clearing and settlement functions for both exchanges are performed electronically. While we have put various measures in place to minimize the risk of a failure and to ensure the integrity of our systems, there is always the risk of a system failure or interruption. In addition, although we have implemented security measures, any system is potentially vulnerable to computer viruses or similar disruptive problems caused by system users or other sources. These risks could increase as we expand access to our trading and settlement and clearing systems. A significant systems failure or disruption or repeated failures could result in an interruption of trading services or delays in settlement, the corruption of trading data and records, and other consequences. This could undermine confidence in our exchanges and have a material adverse effect on our results of operations.

In addition, our growth and continued profitability will require continuous improvements in our systems so that we remain technologically competitive. This is necessary so that we may implement open access policies which are vital to our overall strategy, and so that we may handle increases in volume, faster settlement times, and demands for cross border trading and linkages with other exchanges, among other things. This will in turn require ongoing capital investment in our systems.

We Have Limited Experience Operating as a For-Profit Enterprise

Until December 1, 1999, our exchanges operated as not-for-profit corporations for the benefit of their respective members. We have operated as a for-profit enterprise only since such date. The transition to a for-profit enterprise entails changes in operating procedures, strategy, incentives and culture. Our transition to a for-profit enterprise is being made concurrently with the implementation of the Merger, which itself requires changes to procedures, strategies, incentives and culture necessitated by integration of the operations of the two exchanges, which may make our transition to a for-profit enterprise more difficult to manage. Moreover, although we are now a for-profit enterprise, we are still subject to the oversight of the MAS, a government entity. Thus, we cannot assure you that we will not encounter difficulties in our transition to a for-profit enterprise or that we will be successful in operating as a for-profit enterprise.

We May Not Be Able to Realize Synergies Resulting from the Merger of the Exchanges

Prior to the Merger, SES and SIMEX were independently owned and managed entities. As a result of the Merger, SES and SIMEX became our wholly owned subsidiaries. One of the goals of the Merger was to realize synergies from combining both exchanges and their clearing houses under one roof, in particular by developing strategies that take advantage of the increasing convergence of the securities and derivatives markets. While we have begun to take a number of actions to achieve this goal, our exchanges still function primarily as separate units. Moreover, realizing any such synergies depends in part on forces outside of our control, such as the extent of demand for common trading platforms and products. Therefore, we cannot assure you that we will realize significant synergies from the Merger.

We Rely on the Continued Employment and Performance of Key Management Personnel

Our success depends to a significant extent upon the continued employment and performance of a number of key management personnel. The loss of the services of one or more of these key personnel could have a material adverse effect on our results of operations. We also believe that our future success will depend in large part on our ability to attract and retain highly skilled technical, managerial and marketing personnel. Competition for such personnel is intense. There can be no assurance that we will be successful in attracting and retaining the personnel we require.

Our Transition to a For-Profit, Demutualized Enterprise May Diminish the Desire of Our Members to Remain as Members, Which Could Adversely Affect Our Business

Prior to the Merger, SES and SIMEX were owned by and operated for the benefit of their respective members, the brokerage and trading companies that engaged in transactions on each exchange. As a result of the Merger, these entities hold shares in SGX but no longer control the operations of our Securities Market or our Derivatives Market. Their influence is substantially less, and their interests as members may differ from their interests as shareholders. In particular, they pay fees which are a primary source of revenue for us, and must post capital in order to maintain the right to trade or clear and settle trades. Clearing members also have potential limited liability for defaults by other clearing members. As a result, they may disagree with decisions made by the management of SGX, which may in turn affect their desire to continue as members. A material reduction in the number of our members, or the loss of particularly large or active members, in respect of the trading or clearing and settlement activities of either exchange could have a material adverse effect on volume, liquidity or turnover of such exchange or the strength of its clearing and settlement functions, which would in turn have a material adverse effect on us as a whole.

We Are Exposed to the Risk of Default By Market Participants

Because our exchanges perform their own clearing and settlement functions, each exchange takes the risk of performance on each trade and thus is exposed to the risk of default by the members entitled to clear trades. Although we have policies and procedures intended to help ensure that our members can satisfy their obligations, such policies and procedures (including settlement rules) may not succeed in detecting problems or preventing defaults, particularly if a problem is due to negligence, malfeasance or fraud on the part of a member or its employees. Each exchange also has in place various measures intended to enable it to cover any such default and maintain liquidity. However, there can be no assurance that such measures will be sufficient or that we will not be materially adversely affected by such a default.

Singapore Law May Limit Our Rights in an Insolvency of a Member

There is doubt as to the enforceability of certain of our clearing entities' rules and procedures in the context of the insolvency of a member. In particular, when applied to an insolvent member, our rules which provide that we become the counterparty to each trade through novation could be deemed to be contrary to certain Singapore laws regarding distribution of the assets of an insolvent party. Our ability to net a member's obligations and to set off a member's obligations against any margin or security deposits could be deemed to be inconsistent with Singapore law as it pertains to set-offs or could be deemed to constitute a voidable preference. Certain procedures could also be considered to interfere with the rights of a liquidator. None of these issues has been explicitly addressed by a Singapore court in the context of the insolvency of a member. Unlike some other jurisdictions, Singapore has not adopted legislation that exempts clearing entities from certain insolvency law provisions or that ensures that clearing entities can net and offset members' positions in an insolvency. Although we plan to discuss with the relevant Singapore authorities certain legislative changes that would ensure the enforceability of our rules and procedures, we cannot assure you that any such changes would be made or that under current law the actions we are able to take under our rules against an insolvent member would not be challenged by the member's liquidator. If such actions are successfully challenged, there is a greater risk that the insolvency of a member could materially adversely affect us.

We are Dependent on the Economy of Singapore

We, and particularly the Securities Market, are very dependent on the economy of Singapore. Singapore is a relatively small country with a gross national product of approximately S\$144 billion (US\$83.2 billion) in 1999. Approximately 89.8% of the companies listed on the Securities Market as of December 31, 1999 were Singapore-based companies. The health of these companies thus has a direct effect on the volume and value of trading on the Securities Market. If the profit growth of Singapore-based companies is generally lower than the profit growth of companies based in other countries, the stock markets on which those companies are listed may be more attractive to investors than the Securities Market. Moreover, because of the existence of national exchanges in most countries, it may be difficult for the Securities Market to attract listings from non-Singapore companies.

We are Dependent on Asian Economies, Which Have Recently Experienced Adverse Developments

We are generally dependent on the economies of Asia, and in particular those of Southeast Asia. Beginning in the second half of 1997, many Asian countries experienced significant adverse economic developments, including substantial depreciation in currency exchange rates, increased interest rates, reduced availability of credit from banks and other financial institutions, reduced economic growth rates, corporate insolvencies and declines in market values of shares listed on stock exchanges, real property and other assets.

Singapore also suffered adverse economic developments during this period. Although the effects of such developments have generally been less severe in Singapore than those experienced in other Asian countries, the total market capitalization of companies listed on the Securities Market declined by approximately 27.1% between September 30, 1997 and September 30, 1998, while trading volume on the Securities Market in 1998 declined by 13.7% in comparison to 1997. By contrast, derivatives trading typically increases during periods of economic volatility. Trading volume on the Derivatives Market reached a record level in 1998, with a total of 27.9 million contracts traded.

While there has been a general economic recovery in many Asian countries, including Singapore, in the latter half of 1999 and 2000, there can be no assurance that any such trends will continue or be sustained. Further adverse economic developments in Singapore or other Southeast Asian or East Asian countries could adversely affect the economic performance of companies listed on the Securities Market, which could have a material adverse effect on our results of operations.

Our Operations and Our Operating Results Could Be Adversely Affected by Changes in Government Regulations, Including Changes to Permit Greater Competition

We are the only entity approved by the government of Singapore to operate a securities and derivatives exchange in Singapore. It has been reported that the government of Singapore has recently granted one ECN exempt stock market status to offer institutional investors an electronic trading platform for bonds. The government of Singapore could decide to authorize another entity, including an ECN, to operate a stock market or it could expand the range of permitted activities by "exempt" entities. It is likely that we would be materially adversely affected by any decision to authorize such competition.

In addition, market trading levels could be affected by changes in policies of the Singapore government. For example, our Securities Market has benefited from the policy of privatizing certain state-owned companies. Changes in this policy, or in tax, regulatory or other policies that affect our listed companies, the ability of investors to freely trade on our exchanges, or the taxation or repatriation of profits from such trading, could have an adverse effect on our results of operations.

We Will Not Receive any Proceeds of the Offering or Future Sales by the Selling Shareholder

We will not receive any proceeds from the Offering, except for the par value of the Shares and except to the extent necessary to pay our expenses in connection with the Merger and the Offering. All such remaining

proceeds will go to the Financial Sector Development Fund (“FSDF”) which is controlled by the MAS, subject to the direction of the Minister under the Merger Act. In addition, the Selling Shareholder will subscribe for more shares than it will sell in the Offering. It may sell such additional shares from time to time, and all such net proceeds will be paid to the FSDF. See “The Merger.”

The Merger Act Contains Provisions that Restrict Ownership of Our Shares

The Merger Act provides that no person shall acquire a substantial shareholding in SGX (or enter into any agreement to do so) without obtaining the prior approval of the MAS. A “substantial shareholding” is generally considered to be a shareholding of at least 5% of the outstanding shares. The MAS may grant approval subject to such conditions as it considers appropriate. Such provisions may discourage trading in our shares and may discourage or prevent transactions that may allow you to sell your shares at a premium.

The Derivatives Market Could Lose its Tax-Exempt Status

When the Derivatives Market was created, the government of Singapore exempted substantially all types of its income from corporate income tax in order to promote its growth. This tax exemption is due to expire in 2003. We plan to ask the Ministry of Finance to continue the exemption. If the exemption is not continued, our tax liability will increase and this may have a material adverse effect on our results of operations.

We are Dependent upon and Restricted by Our Current Alliances and License Agreements

Some of our most popular derivatives products, such as our equity index products, are based on rights we have obtained under license agreements, which in some cases expire within the next year. We cannot assure you that these agreements will be renewed, or if renewed, renewed on favorable terms. In addition, we are dependent on certain alliances, such as our mutual offset arrangement with the CME which is critical to the popularity of our Eurodollar and Euroyen products, and there is no assurance these alliances will continue indefinitely. While any future alliance or license agreement may provide opportunities for us, it may also impose restrictions on us. Any failure to renew license agreements (or any renewal on unfavorable terms) or any failure to maintain alliances may have a material adverse effect on us.

Changes in the Regulatory Environment Could Affect Our Business

A number of financial services regulators in other jurisdictions have publicly stated their concerns about the ability of a financial exchange, organized as a for-profit corporation, to discharge adequately its self-regulatory responsibilities. We believe our regulatory programs and capabilities contribute significantly to our brand name and reputation. Although we believe that we can continue to uphold these responsibilities, we cannot assure you that we will not be required to modify or restructure our regulatory functions in order to address these concerns. If we fail to uphold these responsibilities or if a third party is appointed to perform regulatory and oversight functions, our reputation may suffer and this may have a material adverse effect on our results of operations.

Directives Issued by the MAS May Not Be in the Best Interests of Shareholders

Pursuant to the Merger Act, when the MAS thinks it necessary or expedient for ensuring fair and orderly securities and futures markets or for ensuring the integrity of, and the proper management of systemic risks in, the securities and futures markets, it has authority to issue directives to us with which we must comply whether or not any relevant action has been approved by our board of directors or, as applicable, our shareholders. Such directives may not be in the best interest of our shareholders.

Our Financial Information Is Not Directly Comparable to the Financial Information for Our Predecessor Companies

The Merger occurred on December 1, 1999. Consequently, our consolidated financial statements reflect the combined operations of the Securities Market and the Derivatives Market from December 1, 1999. Prior to such date, the Securities Market and the Derivatives Market operated as separate entities, and their separate financial

statements are included herein. In addition, in order to be consistent with the Securities Market, the Derivatives Market (formerly SIMEX) changed its fiscal year end to June 30, 1999 effective as of January 1, 1999. As a result of the above, the historical financial information for SGX included in this prospectus is not directly comparable to the financial information for our predecessors, SES, SCCS and SIMEX. In accordance with the requirements for listing on the SGX-ST, we have included pro forma financial information that gives effect to the Merger as if it occurred on July 1, 1997. However, such pro forma financial information does not purport to reflect what our results of operations or financial condition would have been had the Merger actually occurred on July 1, 1997. See “Selected Pro Forma Financial and Other Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

There May Be Less Information About Us Available to Our Shareholders Than Is Available to Shareholders of Other Companies

A principal objective of the securities laws of the United States, Singapore and other countries is to promote full and fair disclosure of all material corporate information. We are not subject to the reporting requirements of the United States securities laws. We have applied for the listing and quotation of our shares on the SGX-ST and have received in-principle approval. We intend to comply with SGX-ST disclosure rules in connection with the listing and quotation of our shares, but the Merger Act provides that the MAS may impose additional requirements on us, or exempt us from, or modify, any rule of SGX-ST in connection with such listing. As a result, there may be less information concerning us available to shareholders than is regularly made available by companies listed on a United States exchange or on the SGX-ST.

Our Financial Statements Are Not Prepared in Accordance with U.S. GAAP

Our financial statements are prepared in accordance with Singapore GAAP, which differs in certain significant respects from U.S. GAAP. As a result, our financial statements and reported earnings may differ significantly from what they would be under U.S. GAAP. See “Summary of Significant Differences Between Generally Accepted Accounting Principles in Singapore and the United States.” This prospectus does not contain a reconciliation of our financial statements to U.S. GAAP, and there can be no assurance that such a reconciliation would reveal material quantitative differences. In making an investment decision, investors must rely upon their own examination of our company, the terms of the Offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between Singapore GAAP and U.S. GAAP, and how these differences might affect the financial information herein.

The Shares Will Be Subject to Significant Transfer Restrictions

The Shares have not been, and will not be, registered under the U.S. Securities Act and are being offered to certain persons in the United States pursuant to exemptions from registration provided by Section 4(2) of the U.S. Securities Act and Rule 144A under the U.S. Securities Act and in transactions outside the United States pursuant to Regulation S under the U.S. Securities Act. Accordingly, the Shares are subject to certain restrictions on the resale and other transfer thereof as set forth under “Notice to Investors.” In particular, purchasers of Shares in the Strategic Private Placement will not be able to make any transfer of their Shares on or before the date which is 90 days after the closing date of the Offering.

Consequences to U.S. Holders if SGX is a Passive Foreign Investment Company

We do not believe that we will be a “passive foreign investment company” (“PFIC”) for U.S. federal income tax purposes. However, if we were a PFIC, U.S. shareholders would generally be subject to special rules and adverse U.S. federal income tax consequences with respect to certain distributions made by SGX and any gain realized on the sale or other disposition of Shares. A U.S. shareholder generally can avoid these rules and consequences by making an election to mark its Shares to market (“mark-to-market election”) or by making a timely tax election known as a Qualified Electing Fund (“QEF”) election. If we are a PFIC in any year, we intend to provide, to any U.S. shareholder who requests such information within 15 days of the end of any calendar year, commencing at the end of the 2000 calendar year, all tax information that is necessary for such U.S. shareholder to

make either such election within 60 days after the end of any calendar tax year. In addition, we expect to pay annual cash dividends equal to 50% of our annual net profit after tax and contribution to fidelity funds. However, the declaration and payment of dividends is subject to the discretion of the board, and there can be no assurance that any dividends declared and paid would be sufficient for a U.S. shareholder to pay U.S. federal income taxes incurred by U.S. shareholders as a result of making a mark-to-market election or a QEF election. See “Dividend Policy,” and “Certain Income Tax Consequences—Passive Foreign Investment Company.”

Our Shares Have Never Been Publicly Traded Before and the Offering May Not Result in an Active or Liquid Market for Our Shares

Prior to the Offering, there was no public market for our shares. We have received in-principle approval from the MAS to have our shares listed and quoted on the SGX-ST. SGX-ST listing and quotation does not, however, guarantee that a trading market for our shares will develop or, if a market does develop, the liquidity of that market for our shares. Therefore, we cannot predict whether a trading market for our shares will develop or how liquid that market might become.

Our Shareholders Are Free to Sell Some of Our Shares After the Offering

After the Offering, the Selling Shareholder will continue to hold approximately 29% of our outstanding shares. (This assumes all the Shares offered in the Strategic Private Placement are sold and that there is no exercise of the over-allotment option.) Pursuant to the Merger Act and after the expiration of a lock-up, all or a portion of such shares could be sold at any time in the future as directed by the Minister under the Merger Act, and there can be no assurance that any such sale would be at a price per share equal to or greater than the Offering Price. See “Plan of Distribution—No Sale of Similar Securities”. In addition, after the Offering, approximately 28% of the outstanding shares will be held by our other existing shareholders without giving effect to any purchases of Shares by them in the Offering. Some of these shareholders are subject to transfer restrictions. See “Plan of Distribution—Strategic Private Placement.” Shareholders not subject to transfer restrictions may choose to sell their shares at any time. No predictions can be made as to the effect, if any, that any sales of such shares will have on the value of the shares.

It May Be Difficult for You to Enforce Any Judgment Obtained in the United States Against Us or the Selling Shareholder

We are incorporated under the laws of the Republic of Singapore. Our directors and executive officers reside outside the United States. In addition, virtually all of our assets and the assets of the Selling Shareholder are located outside the United States. As a result, it may be difficult to enforce in the United States any judgment obtained in the United States against us, any of those persons or the Selling Shareholder, including judgments based upon the civil liability provisions of the United States securities laws. In addition, in original actions brought in courts in jurisdictions located outside the United States, it may be difficult for investors to enforce in or out of the United States liabilities based upon United States securities laws. We have been advised by Allen & Gledhill, our Singapore legal counsel, that judgments of U.S. courts based on the civil liability provisions of the federal securities laws of the United States are not enforceable in Singapore courts. Allen & Gledhill has also advised us that there is doubt as to whether Singapore courts will enter judgments in original actions brought in Singapore courts based solely upon the civil liability provisions of the federal securities laws of the United States.

FORWARD LOOKING STATEMENTS

This prospectus contains forward looking statements that involve risks and uncertainties. We use words such as “anticipate,” “believe,” “expect,” “future” and “intend,” and similar expressions, to identify forward looking statements. You should not place undue reliance on these forward looking statements, which apply only as of the date of this prospectus. Our actual results could differ materially from those anticipated in these forward looking statements for many reasons, including the risks described under “Risk Factors” and elsewhere in this prospectus.

USE OF PROCEEDS

Because all the Shares are being offered by the Selling Shareholder, we will not receive any proceeds of the Offering, except that the Selling Shareholder will subscribe for the Shares at par value and will pay certain of our expenses. Pursuant to the Merger Act, the proceeds of the Offering will be used first to pay the expenses and fees associated with the demutualization and merger of SES, SIMEX and SCCS, the formation of SGX and the Selling Shareholder and the Offering. The remaining proceeds will be paid by the Selling Shareholder to the FSDF. We will apply to the FSDF for application of a portion of such proceeds to fund capital expenditures for new technology to enhance our trading systems, but we cannot assure you that such application will be granted. See “The Merger” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

DIVIDEND POLICY

Prior to the Merger, SES, SCCS and SIMEX did not pay any dividends. Our board of directors currently expects to declare and pay a cash dividend for the fiscal year ended June 30, 2001 of S\$0.055 per share (after giving effect to the Capital Restructuring and the subscription for shares by the Selling Shareholder in connection with the Offering). (This would be equivalent to a rate of approximately S\$0.074 per share before deduction of Singapore income tax of 25.5%). Thereafter, our board currently expects to declare and pay annual dividends of not less than 50% of annual net profit after tax and after contribution (if any) to the fidelity funds. However, the declaration and payment of any dividend, and the timing and amount of any dividend, is subject to the discretion of our board. Any future determination by our board to pay dividends will be based upon our earnings, cash flow, financial condition and capital requirements and other conditions our board deems relevant.

CAPITALIZATION

The following table sets forth our cash and our capitalization as of June 30, 2000 on an actual basis and as adjusted to give effect to the Offering. Because all the Shares are being sold by the Selling Shareholder, we will not receive any of the net proceeds (except as described under “Use of Proceeds”). The as adjusted information also gives effect to the Capital Restructuring that was approved at the EGM. See “The EGM.” This table should be read in conjunction with “Selected Historical Financial Data,” “Selected Pro Forma Financial and Operating Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Summary of Significant Differences Between Generally Accepted Accounting Principles in Singapore and the United States” and the consolidated financial statements of SGX and the notes thereto included elsewhere in this prospectus.

	As of June 30, 2000	
	Actual	As Adjusted
	(in millions)	
Cash and cash equivalents	S\$601.4	S\$608.6
Shareholders equity:		
Ordinary Shares: (i) actual: par value S\$1.00 per share; authorized 1,000,000,000 shares; issued and outstanding 61,670 shares;		
(ii) as adjusted: par value S\$0.01 per share; authorized 100,000,000,000 shares; issued and outstanding 1,000,000,000 shares ⁽¹⁾	0.1	10.0
Reserves	797.3	794.6
Total shareholders’ equity	797.4	804.6
Total capitalization	S\$797.4	S\$804.6

(1) The Capital Restructuring consists of (i) the subdivision of each of our existing shares of par value S\$1.00 each into 100 shares of par value S\$0.01 each and (ii) the distribution of bonus shares on each existing share (as subdivided) in an amount equal to S\$50 divided by the Offering Price, minus 1. The Selling Shareholder will also subscribe for more shares than will be sold in the Offering. After giving effect to the Capital Restructuring and such subscription, there will be 1,000,000,000 shares outstanding. See “The EGM —Capital Restructuring.”

DILUTION

The net tangible book value of our company as of June 30, 2000 was S\$797 million or S\$12,929 per ordinary share. Net tangible book value per ordinary share is determined by dividing our net tangible book value (total tangible assets less total liabilities and accumulated funds of securities and derivatives fidelity funds) as of June 30, 2000 by the number of outstanding ordinary shares at that date.

After giving effect to the Capital Restructuring, our net tangible book value as of June 30, 2000 would have been S\$2.84 per share. After giving further effect to the subscription by the Selling Shareholder for 719.7 million ordinary shares at par value of S\$0.01 per share, our net tangible book value would have been S\$0.80 per share. This represents an immediate increase in net tangible book value of S\$7.2 million and a decrease in net tangible book value per ordinary share of S\$2.04. The sale by the Selling Shareholder of 428,000,000 Shares at a price of S\$1.10 per share in the Offering does not affect our net tangible book value because we do not receive the net proceeds of such sale (except as described under "Use of Proceeds"). Thus, while there is no dilution in net tangible book value per share to the new investors in the Offering, the price paid per share by new investors to the Selling Shareholder of S\$1.10 per share is greater than our net tangible book value of S\$0.80 per share immediately after the subscription for shares by the Selling Shareholder. The following table illustrates these effects. All numbers give effect to the Capital Restructuring:

	<u>Per Share</u>
Net tangible book value per ordinary share as of June 30, 2000, prior to the subscription for shares by the Selling Shareholder	S\$2.84
Price per share paid to us by the Selling Shareholder	S\$0.01
Decrease in net tangible book value per ordinary share attributable to the subscription for shares by the Selling Shareholder at par value	S\$2.04
Price per share paid by new investors to the Selling Shareholder	S\$1.10
Net tangible book value per ordinary share immediately before and after the sale by the Selling Shareholder to new investors	S\$0.80
Dilution per share to new investors	<u>S\$0.00</u>

The following table summarizes as of June 30, 2000, the total number of ordinary shares issued, the consideration paid (or, in the case of existing investors, the consideration fixed pursuant to the Merger Act), and the average price per ordinary share, for our existing shareholders, the new investors and the Selling Shareholder, after giving effect to the Capital Restructuring, the subscription for shares by the Selling Shareholder and the sale of Shares by the Selling Shareholder to the new investors. In the case of the new investors, consideration paid represents amount paid to the Selling Shareholder, not to us. This table assumes that all Shares offered by the Selling Shareholder in the Strategic Private Placement are sold and assumes no exercise of the over-allotment option. This table does not give effect to the exercise of any options or the purchase by existing shareholders of Shares in the Offering.

	<u>Ordinary Shares Issued</u>	<u>Total Consideration</u>	<u>Average Price Per Ordinary Share</u>
	(in millions, except per share amounts)		
Existing Shareholders ⁽¹⁾	280.3	S\$308.4	S\$1.10
New investors ⁽²⁾	428.0	S\$470.8	S\$1.10
Selling Shareholder ⁽³⁾	291.7	S\$2.9	S\$0.01

- (1) Ordinary shares issued include bonus shares and exclude the shares subscribed for by the Selling Shareholder in connection with the Offering. The Selling Shareholder owned two shares prior to the Offering (or 9,090 shares after giving effect to the Capital Restructuring) which are included in ordinary shares of existing shareholders. Total consideration represents the aggregate value as fixed pursuant to the Merger Act. See "The Merger."
- (2) Ordinary shares issued consists of shares subscribed for by the Selling Shareholder in connection with the Offering and sold to new investors. Total consideration represents total amount paid by new investors to the Selling Shareholder. It does not show the amount received for such shares by us (which was par value only).
- (3) Ordinary shares issued consist of shares subscribed for by the Selling Shareholder which are not sold in the Offering. They exclude shares owned by the Selling Shareholder prior to the Offering. See note (1). Total consideration represents the par value paid by the Selling Shareholder for such shares. The Selling Shareholder may resell such shares in the future, and the prices of any such sale would be determined by the Minister under the Merger Act. We would not receive the proceeds of any such sales of shares. See "The Merger."

SELECTED HISTORICAL FINANCIAL DATA

The following sets forth selected historical consolidated financial data for SGX and its predecessors, SES, SCCS and SIMEX all of which have been prepared in conformity with generally accepted accounting principles in Singapore. The consolidated financial information for SGX as of and for the period from incorporation on August 21, 1999 through June 30, 2000 is derived from its consolidated financial statements for the same period. The consolidated financial information for SES and SCCS as of and for the five month period ended November 30, 1999, and the twelve month periods ended June 30, 1998 and 1999, is derived from the respective consolidated financial statements of SES and SCCS for the same periods. The consolidated financial information for SIMEX as of and for the five month period ended November 30, 1999, the six month period ended June 30, 1999, and the twelve month periods ended December 31, 1997 and 1998, is derived from the consolidated financial statements of SIMEX for the same periods. SIMEX changed its fiscal year end from December 31 to June 30 as of January 1, 1999. All such financial statements for SGX, SES and SIMEX have been audited by PricewaterhouseCoopers or its predecessors. PricewaterhouseCoopers has also audited SCCS's financial statements for the five months ended November 30, 1999. The financial statements for SCCS for the twelve months ended June 30, 1998 and 1999 have been audited by Foo, Kon & Tan. This information should be read in conjunction with such financial statements, the pro forma financial information, "Summary of Significant Differences Between Generally Accepted Accounting Principles in Singapore and the United States" and "Management Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

	SES			SCCS			SIMEX			SGX	
	Twelve Months Ended June 30,		Five Months Ended November 30,	Twelve Months Ended June 30,		Five Months Ended November 30,	Twelve Months Ended December 31,	Six Months Ended June 30,	Five Months Ended November 30,	Period from August 21, 1999 to June 30, 2000	
	1998	1999	1999	1998	1999	1999	1997	1998	1999	1999	
(in millions)											
Profit and Loss Accounts											
Operating revenue											
Clearing fees (net of rebates)	S\$ 38.3	S\$ 95.5	S\$ 45.5	S\$ 19.3	S\$ 1.1	S\$ —	S\$ 34.2	S\$ 40.8	S\$ 20.8	S\$ 15.8	S\$ 78.5
Rental of computer terminals	24.1	23.2	10.0	—	—	—	0.3	0.5	0.4	0.4	15.6
Account maintenance and processing fees	27.0	25.8	13.7	6.3	7.8	3.8	—	—	—	—	23.8
Listing and membership fees	8.8	6.8	4.3	—	—	—	0.7	0.8	0.4	0.1	8.4
Price information fees	1.0	1.2	0.5	—	—	—	3.9	5.2	2.6	2.4	4.1
Other operating revenue	11.5	9.8	4.8	1.7	3.6	1.5	4.9	5.2	2.1	1.5	5.7
Total operating revenue	110.7	162.3	78.8	27.3	12.5	5.3	44.0	52.5	26.3	20.2	136.1
Operating Expenses											
Staff costs	14.6	16.9	8.9	8.8	9.6	4.7	14.1	15.3	6.6	7.9	28.5
Occupancy costs	2.5	2.6	1.5	2.2	2.4	1.0	5.2	5.8	2.9	2.5	6.2
Depreciation	5.9	5.6	2.3	5.0	4.3	2.5	2.2	2.6	1.7	2.1	12.1
Equipment maintenance and rental	3.6	5.2	2.6	1.7	3.0	2.0	2.5	2.4	1.2	1.7	7.9
Other operating expenses	4.8	8.1	4.7	5.4	3.1	1.3	6.4	9.5	3.9	4.5	9.4
Total operating expenses	31.4	38.4	20.0	23.1	22.4	11.5	30.4	35.6	16.3	18.7	64.1
Profit/(loss) from operating activities	79.3	123.9	58.8	4.2	(9.9)	(6.2)	13.6	16.9	10.0	1.5	72.0
Non-operating income	13.1	16.1	5.9	5.7	6.7	1.6	2.7	3.4	2.2	1.1	10.3
Non-operating expense	—	—	—	—	—	—	(1.5)	—	—	—	—
Profit/(loss) before tax	92.4	140.0	64.7	9.9	(3.2)	(4.6)	14.8	20.3	12.2	2.6	82.3
Tax	(24.5)	(33.5)	(16.8)	(3.0)	1.8	—	(1.4)	(0.9)	(0.3)	(0.2)	(20.1)
Net profit after tax and before contribution to fidelity fund	67.9	106.5	47.9	6.9	(1.4)	(4.6)	13.4	19.4	11.9	2.4	62.2
Contribution to fidelity funds	(2.7)	(2.9)	(1.2)	—	—	—	(1.4)	(1.9)	(1.2)	(0.2)	(4.1)
Net profit/(loss) after tax and contribution to fidelity funds	S\$ 65.2	S\$103.6	S\$ 46.7	S\$ 6.9	S\$ (1.4)	S\$ (4.6)	S\$ 12.0	S\$ 17.5	S\$ 10.7	S\$ 2.2	S\$ 58.1
	As of June 30,	As of June 30,	As of November 30,	As of June 30,	As of June 30,	As of November 30,	As of June 30,		As of November 30,	As of June 30,	
	1998	1999	1999	1998	1999	1999	1997	1998	1999	2000	
(in millions)											
Balance Sheet Data											
Cash and cash equivalents	S\$291.5	S\$315.4	S\$366.6	S\$135.8	S\$132.6	S\$119.6	S\$ 75.2	S\$ 77.5	S\$ 75.8	S\$ 74.0	S\$601.4
Total assets	741.1	1,596.6	1,165.3	151.2	155.7	138.9	1,847.2	1,914.8	2,076.6	2,598.1	3,672.8
Shareholders' equity	401.8	505.5	552.1	143.6	142.2	137.6	108.6	125.5	136.2	138.4	797.4

SELECTED PRO FORMA FINANCIAL AND OTHER DATA

The following sets forth selected unaudited pro forma combined financial data for SGX as of and for the three fiscal years ended June 30, 2000. The balance sheet data as of June 30, 2000 is derived from the audited consolidated balance sheet of SGX as of such date. All other financial data constitutes unaudited pro forma combined information that gives effect to the Merger as if it occurred on July 1, 1997. The pro forma financial information is based on certain audited consolidated financial statements of SGX and its predecessors, SES, SCCS and SIMEX, as well as unaudited consolidated management accounts of SIMEX, which have been prepared in conformity with generally accepted accounting principles in Singapore.

The unaudited pro forma combined financial information does not purport to represent what our results of operations actually would have been if the Merger had occurred as of the date indicated or what our results will be for any future period. The unaudited pro forma combined financial information is based upon available information and certain assumptions that we believe are reasonable under the circumstances. In particular, the pro forma information reflects eliminations of intercompany transactions and balances. No adjustment to the consolidated historical results of SES, SCCS or SIMEX has been made to give retroactive effect to other changes in our revenues and costs that occurred as a result of the Merger, including (i) additional costs due to the hiring of additional staff, including executive staff, (ii) additional tax which would have resulted had SIMEX paid management fees to SGX during the pre-Merger period, and (iii) any differences (which we believe are immaterial) arising from differences in accounting policies or estimates. This information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the "Accountants' Report on Pro Forma Combined Financial Statements" and the audited consolidated financial statements of SGX, SES, SCCS and SIMEX included elsewhere herein.

	Pro Forma		
	Twelve Months Ended June 30,		
	1998	1999	2000
	(in millions, except per share data)		
Profit and Loss Account Data:			
Operating revenue			
Clearing fees (net of rebates)	S\$ 94.8	S\$139.3	S\$139.8
Rental of computer terminals	24.2	23.7	26.0
Account maintenance and processing fees	33.3	33.6	41.3
Listing and membership fees	9.6	7.5	12.8
Price information fees	6.4	6.2	7.0
Other operating revenue	13.0	13.3	11.4
Total operating revenue	<u>181.3</u>	<u>223.6</u>	<u>238.3</u>
Operating Expenses			
Staff costs	38.3	41.7	50.0
Occupancy costs	10.4	10.5	11.1
Depreciation	13.3	13.0	19.0
Equipment maintenance and rental	8.5	11.2	14.6
Other operating expenses	10.7	14.9	17.5
Total operating expenses	<u>81.2</u>	<u>91.3</u>	<u>112.2</u>
Profit from operating activities	100.1	132.3	126.1
Net non-operating income	20.5	26.6	18.9
Profit before tax	120.6	158.9	145.0
Tax	(28.4)	(32.4)	(37.1)
Net profit after tax and before contribution to fidelity funds	92.2	126.5	107.9
Contribution to fidelity funds	(4.5)	(5.1)	(5.6)
Net profit after tax and contribution to fidelity funds	<u>S\$ 87.7</u>	<u>S\$121.4</u>	<u>S\$102.3</u>
Earnings per share			
basic ⁽¹⁾	S\$1,423	S\$1,969	S\$1,658
diluted ⁽²⁾	S\$1,409	S\$1,949	S\$1,642
Number of shares used to compute basic earnings per share	61,670	61,670	61,670
Number of shares used to compute diluted earnings per share	62,286	62,286	62,286
Post-Offering earnings per share			
basic ⁽³⁾	S\$0.09	S\$0.12	S\$0.10
diluted ⁽⁴⁾	S\$0.09	S\$0.12	S\$0.10
Post-Offering number of shares used to compute basic earnings per share	1,000,000,000	1,000,000,000	1,000,000,000
Post-Offering number of shares used to compute diluted earnings per share	1,010,000,000	1,010,000,000	1,010,000,000

	As of June 30,		
	1998	1999	2000
	(in millions)		(actual audited)
	(pro forma)		
Balance Sheet Data			
Cash and cash equivalents	S\$ 492.2	S\$ 523.9	S\$ 601.4
Total assets	2,674.1	3,823.1	3,672.8
Shareholders' equity	663.0	783.9	797.4

	Twelve Months Ended June 30,		
	1998	1999	2000
	(in millions)		(pro forma)
	(pro forma)		
Cash Flow Data			
Net cash provided by (used in) operating activities	S\$80.6	S\$94.9	S\$120.3
Net cash used in investing activities	35.1	30.9	42.9

	Twelve Months Ended June 30,				
	1996	1997	1998	1999	2000
	(dollars in billions)				
Operating Data					
Securities Market capitalization ⁽⁵⁾ (at period end)	S\$529.1	S\$578.1	S\$405.1	S\$488.9	S\$569.6
Securities Market turnover value ⁽⁵⁾	S\$101.0	S\$ 91.2	S\$108.9	S\$154.4	S\$185.0
Derivatives Market contracts traded (in millions)	22.0	22.4	25.8	27.9	27.2
Derivatives Market open interest (thousands of contracts at period end)	584.9	775.1	977.6	988.6	761.5

- (1) We computed pro forma basic earnings per share for all years presented by dividing pro forma profit after tax and after contribution to fidelity funds for the period by the number of issued shares outstanding at June 30, 2000.
- (2) We computed pro forma diluted earnings per share for all years presented by dividing pro forma profit after tax and after contribution to fidelity funds for that period by the number of issued shares at June 30, 2000 adjusted for the assumed full exercise of options granted to a director and outstanding on June 30, 2000. We have not taken into account the options that may be granted pursuant to the SGX Share Option Plan. See "Management—Employee Benefit Plans—SGX Share Option Plan."
- (3) We computed pro forma post-Offering basic earnings per share for all years presented by dividing pro forma profit after tax and after contribution to fidelity funds for that period by 1,000,000,000 shares, which is the number of shares that will be outstanding after giving effect to the Capital Restructuring and the shares issued to the Selling Shareholder in connection with the Offering. See "The EGM—Capital Restructuring."
- (4) We computed pro forma post-Offering diluted earnings per share for all years presented by dividing profit after tax and after contribution to fidelity funds for that period by 1,010,000,000 shares, which equals the number of shares outstanding as per note (3) above, adjusted for the full exercise of options granted to a director and outstanding on June 30, 2000. We have not taken into account the options that may be granted pursuant to the SGX Share Option Plan. See "Management—Employee Benefit Plans—SGX Share Option Plan."
- (5) Includes Main Board, SESDAQ and CLOB International.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the pro forma and historical financial information appearing elsewhere in this prospectus. Our financial statements are prepared in accordance with Singapore GAAP.

Background

Basis of Presentation

Our business consists of our Securities Market, Derivatives Market and IT Solutions Division. SGX was incorporated on August 21, 1999 in order to effect the demutualization and merger of the Securities Market and the Derivatives Market. Because the Merger took effect on December 1, 1999 and SGX had no operations prior to the Merger, it has only a limited operating history. Therefore, and in accordance with the requirements for a listing on the SGX-ST, the discussion and analysis below refers primarily to SGX pro forma financial information that gives effect to the Merger as if it had occurred on July 1, 1997. Balance sheet information as of June 30, 2000 is based on the audited consolidated balance sheet of SGX as of that date.

The corporate entities that make up the Securities Market are SGX-ST, formerly known as SES, and CDP. Prior to the Merger, CDP was a subsidiary of SES and was therefore included in the consolidated financial statements of SES.

In addition, prior to the Merger, certain operations that pertained to the Securities Market were conducted by Securities Clearing and Computer Services (Pte) Limited ("SCCS"), an entity owned by the respective shareholders of SES and by SES. (The ownership of SES in SCCS was 17.6% at June 30, 1998 and 20.6% at June 30, 1999. The increase was the result of a settlement agreement with the liquidators of a member company whereby the member company's one share in SCCS was transferred to SES.) These operations consisted primarily of the clearing of CLOB International securities, the processing and printing of brokers' client accounts and printing of contract notes for SES trades. In connection with the Merger, the clearing operations and related assets were transferred to CDP. SGX-ITS, the entity that constitutes our IT Solutions Division, was previously a subsidiary of SES, operating under the name of Macrovision Systems Pte Limited. In connection with the Merger, SGX-ITS assumed the activities of SCCS that were not transferred to CDP (that is, the processing and printing operations), in addition to maintaining its original activity of providing software solutions to brokers. For purposes of the pro forma comparisons below, all operations of SCCS and SGX-ITS in the periods discussed are treated as part of the Securities Market. In the future, we expect to discuss separately the results of our IT Solutions Division as its operations grow.

The corporate entities that make up the Derivatives Market are SGX-DT, formerly known as SIMEX, and SGX-DC. SGX-DC was a division of SGX-DT (and previously of SIMEX) until October 1, 2000.

The unaudited pro forma combined financial information of SGX for the fiscal years ended June 30, 2000, June 30, 1999 and June 30, 1998, gives effect to the Merger as if it had occurred on July 1, 1997. It is based on the audited consolidated financial statements of (i) SGX for the period from incorporation on August 21, 1999 to June 30, 2000; and (ii) SES and SCCS for the two fiscal years ended June 30, 1999 and the five months ended November 30, 1999 (all of which are included herein). The pro forma combined information is also based on consolidated management accounts of SIMEX for the two fiscal years ended June 30, 1999 and audited consolidated financial statements of SIMEX for the five months ended November 30, 1999. Management accounts are used for the two fiscal years ended June 30, 1999 because the audited consolidated financial statements of SIMEX were previously based on a December 31 fiscal year-end. In connection with the Merger and in order to be consistent with the Securities Market, SIMEX changed its fiscal year-end to June 30 beginning with the six month period ended June 30, 1999. (The audited consolidated financial statements of SIMEX for the two years ended December 31, 1998, the six months ended June 30, 1999 and the five months ended November 30, 1999, are also included elsewhere herein.)

Because SGX had no operations prior to the Merger, the historical information for SGX effectively represents only the operations of the combined entities after the Merger was consummated on December 1, 1999. The unaudited pro forma financial information does not purport to represent what our results of operations actually would have been if the Merger had occurred as of the date indicated or what our results will be for any future period. The pro forma financial information is based upon available information and certain assumptions that we believe are reasonable under the circumstances. In particular, the pro forma information reflects eliminations of intercompany transactions and balances. No adjustment to the historical consolidated results of SES, SIMEX or SCCS has been made to give retroactive effect to other changes in our revenues and costs that occurred as a result of the Merger, including (i) additional costs due to the hiring of additional staff, including executive staff, (ii) additional tax which would have resulted had SIMEX paid management fees to SGX during the pre-Merger period and (iii) any differences (which we believe are immaterial) arising from differences in accounting policies or estimates.

Accounting for the Merger

The Merger Act specified the respective values attributable to the shares of SES and SIMEX as well as to SIMEX seats. The aggregate value of such shares and seats was approximately S\$308 million. The Merger Act also provided that shares in SGX having equivalent respective values would be issued to holders of such SES and SIMEX shares and SIMEX seats. On December 1, 1999 a total of 61,668 SGX shares were issued to such persons at a value deemed to be S\$5,000 each.

The net asset values of the entities combined in the Merger, which were adjusted to fair values as at December 1, 1999, exceeded S\$308 million. Such excess was taken directly to equity and is reflected on the SGX consolidated balance sheet as general reserves.

Accounting for the Offering

In connection with the Offering, our shareholders have approved a Capital Restructuring consisting of (i) the subdivision of each of our existing shares of par value S\$1.00 each into 100 shares of par value S\$0.01 each and (ii) the distribution of bonus shares (the “bonus shares”) to our existing shareholders. Such Capital Restructuring will be implemented concurrently with the pricing of the Offering. See “Capitalization” and “The EGM—Capital Restructuring.”

The Shares will be issued by SGX to the Selling Shareholder at their par value, which amount will be reflected as an increase in SGX’s share capital. Pursuant to the Merger Act, the proceeds of the sale of the Shares by the Selling Shareholder will be first used to pay the expenses and fees associated with the Merger and the Offering. See “Use of Proceeds.” Such costs incurred to date have been reflected as recoverable expenses in the financial statements of SGX and have not been recorded as expenses of SGX. The remaining proceeds will be paid by the Selling Shareholder to the Financial Sector Development Fund. See “The Merger” and “The EGM—Capital Restructuring.”

Overview of Revenues and Expenses

The following table sets forth our pro forma combined results of operations as a percentage of revenue for the period indicated.

	Pro Forma		
	Twelve Months Ended June 30,		
	1998	1999	2000
	%	%	%
Profit and Loss Accounts			
Operating revenue			
Clearing fees	52.3	62.3	58.7
Rental of computer terminals	13.3	10.6	10.9
Account maintenance and processing fees	18.4	15.0	17.3
Listing and membership fees	5.3	3.4	5.4
Price information fees	3.5	2.8	2.9
Other operating revenue	7.2	5.9	4.8
Total operating revenue	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Operating Expenses			
Staff costs	21.1	18.6	21.0
Occupancy costs	5.7	4.7	4.7
Depreciation	7.3	5.8	8.0
Equipment maintenance and rental	4.7	5.0	6.1
Other operating expenses	5.9	6.7	7.3
Total operating expenses	<u>44.7</u>	<u>40.8</u>	<u>47.1</u>
Profit from operating activities before tax	55.3	59.2	52.9
Net non-operating income	11.3	11.9	7.9
Profit before tax	<u>66.6</u>	<u>71.1</u>	<u>60.8</u>
Tax	15.7	14.5	15.5
Net profit after tax and before contribution to fidelity fund	<u>50.9</u>	<u>56.6</u>	<u>45.3</u>

Operating Revenue

Our revenue depends primarily on the volume and dollar value of trading activity on the Securities Market and the Derivatives Market. The level of this activity is largely outside of our control. In particular, trading activity on, and thus the revenue of, the Securities Market is primarily dependent on the volume and value of trading in the shares of companies listed on the Securities Market, many of which are Singapore-based companies. Thus, trading levels and revenues are significantly influenced by the financial health of such companies. Trading activity on, and the revenue of, the Derivatives Market is more dependent on global economic considerations and is significantly affected by, among other things, volatility in financial markets. See “Risk Factors—We Depend on Market Activity that is Outside of Our Control.”

Our operating revenue is categorized into (i) clearing fees, (ii) rental of computer terminals, (iii) account maintenance and processing fees, (iv) listing and membership fees, (v) price information fees and (vi) other operating revenue.

The largest component of our operating revenue is clearing fees. The Securities Market charges a fee of 0.05% of the value of each trade cleared by CDP up to a maximum fee, which is S\$100. The clearing fee is paid by both the selling and the buying brokers and has remained constant for the past several years. SCCS charged an equivalent fee for its scrip-based clearing activity which is now performed by CDP. The Derivatives Market also charges a clearing fee which is paid by both the selling and buying brokers. The amount of the fee varies by the type of contract. Clearing fees for the Derivatives Market are stated net of rebates. The Derivatives Market has various programs to rebate portions of the clearing fees on particular contracts from time to time to promote volume trading, build customer loyalty or promote the trading of particular contracts. These rebate programs are reviewed periodically.

Revenue from computer terminal rental consists primarily of fees charged by the Securities Market for rental of proprietary computer terminals and other hardware to Securities Market brokers. To date, members have been required to lease our terminals in order to have access to our Securities Market trading system. This will no longer be a requirement once we implement open access policies. As a result, our revenue from these rentals may be expected to decline, although we believe that open access may stimulate overall participation and volume and thus may cause other revenues to increase. This category of revenue also includes revenue received by the Derivatives Market for the rental of computer terminals to brokers to input trades made under the open outcry system as well as terminals for electronic trading.

Account maintenance and processing fees include a variety of fees charged to securities clearing members, account holders and listed companies. These include fees for stock transfers that occur free of payment (that is, without a trade on the exchange), fees for processing contract notes and statements, fees for various back-office transactions such as processing dividend payments, retainer fees paid by listed companies in connection with offerings, fees charged to depository agents for CDP accounts, and fees for deposits into the CDP system of certificated securities. Revenue from processing and printing of contract notes and similar activity is recorded net of related expenses such as paper cost and postage.

Listing and membership fees include initial and periodic fees paid by member companies (for the corporate entity and for each approved executive director, dealer and remisier), fees for trading privileges and permits, and initial and ongoing listing fees paid by companies listed on the Securities Market.

Price information fees constitute fees charged by both the Securities and the Derivatives Markets to a variety of users, including information vendors, for market information.

Other operating revenue includes brokerage fees on purchases of securities in the buy-in market to cover defaults on cleared trades, other information technology related income derived from the IT Solutions Division, interest income of $\frac{1}{8}$ of 1% derived from the margin deposits of the Derivatives Market corporate clearing members and other items.

Net non-operating Income

Net non-operating income for SGX mainly consists of interest income, which is interest on cash reserves and movements in provision for diminution in value of investments.

Operating Expenses

The main component of operating expenses is staff costs, which consists of salaries, bonuses and benefits. Our occupancy costs comprise the rental of office space and related service charges for the Securities and Derivatives Markets, the IT Solutions Division and our executive offices. Our lease rentals are fixed through at least 2003. We have purchased space in a building complex that is under construction and is due to be completed in early 2001. It is our intent to move most of our operations to that location. Our other primary expense categories are depreciation, equipment rental and maintenance and other operating expenses.

Taxation

The corporate income tax rate in Singapore is currently 25.5% which is assessed on an individual entity, not on a consolidated, basis. When the Derivatives Market was created, the government of Singapore exempted substantially all types of its operating income from corporate income tax in order to support its growth. This tax exemption is due to expire in 2003, but we plan to ask the Ministry of Finance to continue the exemption. We are discussing certain issues with the Inland Revenue Authority of Singapore relating to the interpretation of the exemption. In the event that our interpretation of the exemption is not sustained, we may have a liability for past taxes. We believe our deferred tax provision substantially provides for this potential liability.

Fidelity Funds

We are required by the Securities Industry Act and the Futures Trading Act to maintain a fidelity fund for each of the Securities Market and Derivatives Market. These laws require that the net assets of each fund be not less than S\$20 million (or such amounts as may be specified by the Minister for Finance) and that such net assets be set aside from our other assets and used only for the purposes set forth in these laws. Before the revision to the laws in March 2000, we were required to transfer 10% of our profits after tax to these funds. We will decide periodically whether to make additional contributions to these funds.

Pro Forma Results of Operations for SGX for Fiscal Year Ended June 30, 2000 Compared to Fiscal Year Ended June 30, 1999.

Operating Revenue

Operating revenue of SGX on a pro forma basis for the fiscal year ended June 30, 2000 was S\$238.3 million compared to S\$223.6 million for the fiscal year ended June 30, 1999. Operating revenue increased 6.6% as a result of the following:

(i) clearing fees were S\$139.8 million for the fiscal year ended June 30, 2000 compared to S\$139.3 million for the year ended June 30, 1999, an increase of 0.4%. Clearing fees from the Securities Market were S\$104.0 million in the fiscal year ended June 30, 2000, which reflected an increase of 7.7% from clearing fees of S\$96.6 million in the fiscal year ended June 30, 1999. This was due to an increase in the dollar value of trades on the Securities Market. Turnover on the Securities Market, comprising the Main Board, SESDAQ and CLOB International, measured by the dollar value of trades, was S\$185.0 billion in the fiscal year ended June 30, 2000 compared to S\$154.4 billion in the fiscal year ended June 30, 1999, an increase of 19.8%. For the fiscal year ended June 30, 2000, turnover volume on the Securities Market measured by the number of shares traded was 117.1 billion shares compared to 125.5 billion shares in the fiscal year ended June 30, 1999, a decrease of 6.7%. As clearing fees for securities trades are subject to a cap of S\$100 per trade, clearing fee income is not directly proportional to the value of shares traded. The Derivatives Market had clearing fees of S\$35.8 million in the fiscal year ended June 30, 2000 compared to S\$42.7 million in the year ended June 30, 1999, a decrease of 16.2%. This decline was due primarily to a decline in average clearing fees per contract for the Derivatives Market, due to the lowering of fees by approximately 25% on six contracts as of November 1, 1999. Clearing volume measured by the number of contracts traded was 27.2 million in the fiscal year ended June 30, 2000 compared to 27.9 million for the year ended June 30, 1999, a decrease of 2.5%.

(ii) revenue from rental of computer terminals was S\$26.0 million for the fiscal year ended June 30, 2000 compared to S\$23.7 million for the fiscal year ended June 30, 1999, an increase of 9.7%. The overall increase reflected an increase in terminals rented to our Securities Market members, and the revision of rental rates for the Derivatives Market's electronic trading terminals, including infrastructure and third-party costs, from S\$330 to S\$1,500 (with effect from April 1, 2000).

(iii) account maintenance and processing revenue was S\$41.3 million in the fiscal year ended June 30, 2000 compared to S\$33.6 million in the fiscal year ended June 30, 1999, an increase of 22.9%. This reflected increased revenue from fees received for free-of-payment transfers and other transactions due to the greater dollar volume of trading activity on the Securities Market.

(iv) listing and membership fee revenue was S\$12.8 million in the fiscal year ended June 30, 2000 compared to S\$7.5 million in the fiscal year ended June 30, 1999, an increase of 70.7%. The increase in the fiscal year ended June 30, 2000 was due to revenue received by the Derivatives Market for trading permits, which, following demutualization, replaced the requirement to own a seat. It also reflected an increase in fees for registration of dealers and remisiers on the Securities Market, as their total numbers increased.

(v) price information fees were relatively constant over the periods: S\$7.0 million in the fiscal year ended June 30, 2000 compared to S\$6.2 million in the fiscal year ended June 30, 1999.

(vi) other operating revenue was S\$11.4 million in the fiscal year ended June 30, 2000 compared to S\$13.3 million in the fiscal year ended June 30, 1999, a decrease of 14.3%. This was in part because Derivatives Market interest income from margin deposits fell slightly because Japanese yen interest rates fell below $\frac{1}{8}$ of 1% during part of the year.

Operating Expenses

Total operating expenses of SGX on a pro forma basis for the fiscal year ended June 30, 2000 were S\$112.2 million compared to S\$91.3 million for the fiscal year ended June 30, 1999. Operating expenses increased 22.9% over the period as a result of the following:

(i) staff costs were S\$50.0 million in the fiscal year ended June 30, 2000 compared to S\$41.7 million in the fiscal year ended June 30, 1999, an increase of 19.9%. The increase was primarily because we hired additional staff and salaries were increased by about 6.5% in December 1999. We expect our staff costs to increase next year due to the full year effect of these additional hires, many of whom were hired late in the fiscal year and several of whom were executive staff, and due to further staff expansion this year.

(ii) occupancy costs were S\$11.1 million in the fiscal year ended June 30, 2000 compared to S\$10.5 million in the fiscal year ended June 30, 1999. Occupancy costs went up slightly as a result of the rental of additional office space to accommodate our increase in staff.

(iii) depreciation was S\$19.0 million in the fiscal year ended June 30, 2000 compared to S\$13.0 million in the fiscal year ended June 30, 1999, an increase of 46.2%. The increase reflected the purchase of additional equipment including computer terminals to upgrade those rented to our Securities Market members as well as equipment for back office functions and our business recovery center. We upgrade the terminals rented to our members approximately once every three years.

(iv) equipment maintenance and rental was S\$14.6 million in the fiscal year ended June 30, 2000 compared to S\$11.2 million in the fiscal year ended June 30, 1999, an increase of 30.4%. Such costs went up mainly because of maintenance on computer equipment purchased to support the CORE and PRDS systems for the Derivatives Market and the trading and back-office systems for the Securities Market.

(v) other operating expenses were S\$17.5 million in the fiscal year ended June 30, 2000 compared to S\$14.9 million in the fiscal year ended June 30, 1999, an increase of 17.4%. The increase was primarily because traveling and marketing costs increased, reflecting our increased efforts to forge new alliances and promote SGX to foreign institutions.

Profit From Operating Activities Before Tax

As a result of the foregoing, profit from operating activities before tax was S\$126.1 million for the fiscal year ended June 30, 2000 compared to S\$132.3 million for the fiscal year ended June 30, 1999, a decrease of 4.7%.

Non-operating Income

Non-operating income for the fiscal year ended June 30, 2000 was S\$18.9 million compared to S\$26.6 million for the fiscal year ended June 30, 1999, a decrease of 28.9%. This income consisted primarily of interest on cash reserves. The decrease over the period was mainly due to lower interest rates on fixed deposits. In addition, in the fiscal year ended June 30, 1999, we had S\$1.1 million of other income due to the reversal of a provision for an investment.

Profit Before Taxation

As a result of the foregoing, profit before taxation for the fiscal year ended June 30, 2000 was S\$145.0 million compared to S\$158.9 million for the fiscal year ended June 30, 1999, a decrease of 8.7%.

Provision for Taxation

Provision for taxation for the fiscal year ended June 30, 2000 was S\$37.1 million compared to S\$32.4 million for the fiscal year ended June 30, 1999, an increase of 14.5%. The increase in provision for taxation for the fiscal year ended June 30, 2000 was due to an accrual for a potential tax liability of the Derivatives Market arising from differences in interpretation of income eligible for tax exemption and additional tax liability in the fiscal year ended June 30, 2000 due to income at SGX consisting of management fees paid by the Derivatives Market. In addition, the fiscal year ended June 30, 1999 provision was reduced by the reversal of a provision for SCCS taxation, which resulted in SCCS having a tax credit for the fiscal year ended June 30, 1999 in the amount of S\$1.8 million.

Profit after Taxation and Before Contribution to Fidelity Fund

As a result of the foregoing, profit after taxation and before contribution to fidelity fund on a pro forma basis for the fiscal year ended June 30, 2000 was S\$107.9 million compared to S\$126.5 million for the fiscal year ended June 30, 1999, a decrease of 14.7%.

Pro Forma Results of Operations for SGX for the Fiscal Year Ended June 30, 1999 Compared to the Fiscal Year Ended June 30, 1998.

Operating Revenue

Operating revenue on a pro forma basis for the fiscal year ended June 30, 1999 was S\$223.6 million compared to S\$181.3 million for the fiscal year ended June 30, 1998. Operating revenue increased 23.3% over the period as a result of the following:

(i) clearing fees were S\$139.3 million in the fiscal year ended June 30, 1999 compared to S\$94.8 million in the fiscal year ended June 30, 1998, an increase of 46.9%. This included an increase in clearing fees for the Securities Market of 67.7% to S\$96.6 million in the fiscal year ended June 30, 1999 from S\$57.6 million in the fiscal year ended June 30, 1998. This increase reflected an overall increase in trading activity on the Main Board and SESDAQ, offset in part by a decline in CLOB International trading. See “Business—Our Securities Market—Markets—CLOB International.” The dollar volume of trading on the Securities Market increased 41.8% to S\$154.4 billion in the fiscal year ended June 30, 1999 from S\$108.9 billion in the fiscal year ended June 30, 1998. Trading volume as measured by number of shares traded increased 95.8% to 125.5 billion shares in the fiscal year ended June 30, 1999 from 64.1 billion shares in the fiscal year ended June 30, 1998. Clearing fee revenue for the Derivatives Market was S\$42.7 million in the fiscal year ended June 30, 1999 compared to S\$37.2 million in the fiscal year ended June 30, 1998. The increase of 14.8% was due to an increase in turnover on the exchange.

(ii) revenue from the rental of computer terminals was S\$23.7 million for the fiscal year ended June 30, 1999 compared to S\$24.2 million for the fiscal year ended June 30, 1998.

(iii) account maintenance and processing revenue was S\$33.6 million for the fiscal year ended June 30, 1999 compared to S\$33.3 million for the fiscal year ended June 30, 1998.

(iv) listing and membership fee revenue was S\$7.5 million for the fiscal year ended June 30, 1999 compared to S\$9.6 million for the fiscal year ended June 30, 1998. The decline of 21.9% was because the fee charged to brokers and dealers representatives by the Securities Market was reduced in September 1998 from S\$125 per month to S\$75 per month.

(v) price information fees were S\$6.2 million for the fiscal year ended June 30, 1999 compared to S\$6.4 million for the fiscal year ended June 30, 1998.

(vi) other operating revenue was S\$13.3 million in the fiscal year ended June 30, 1999 compared to S\$13.0 million in the fiscal year ended June 30, 1998.

Operating Expenses

Total operating expenses of SGX on a pro forma basis for the fiscal year ended June 30, 1999 were S\$91.3 million compared to S\$81.2 million for the fiscal year ended June 30, 1998. The increase of 12.4% resulted from the following:

(i) staff costs were S\$41.7 million in the fiscal year ended June 30, 1999 compared to S\$38.3 million in the fiscal year ended June 30, 1998, an increase of 8.9%. This reflected a 10% salary increase for the Securities Market at the end of 1998. Staff costs for the Derivatives Market also increased due to an annual pay adjustment of 6.8%. In addition, many Securities Market employees with accrued annual leave exchanged their accrued leave for payment.

(ii) occupancy costs were S\$10.5 million in the fiscal year ended June 30, 1999 compared to S\$10.4 million for the fiscal year ended June 30, 1998.

(iii) depreciation costs were S\$13.0 million for the fiscal year ended June 30, 1999 compared to S\$13.3 million for the fiscal year ended June 30, 1998.

(iv) equipment maintenance and rental costs were S\$11.2 million for the fiscal year ended June 30, 1999 compared to S\$8.5 million for the fiscal year ended June 30, 1998, an increase of 31.8%. This increase was mainly due to expenditures by the Securities Market for additional equipment rental, technical support and upgrades to the trading system.

(v) other operating expenses were S\$14.9 million in the fiscal year ended June 30, 1999 compared to S\$10.7 million in the fiscal year ended June 30, 1998, an increase of 39.3%. This was in part due to donations amounting to S\$1.7 million made by the Securities Market to Singapore charities to commemorate its 25th anniversary and increased marketing by the Derivatives Market.

Profit From Operating Activities Before Tax

As a result of the foregoing, profit from operating activities before tax was S\$132.3 million for the fiscal year ended June 30, 1999 compared to S\$100.1 million for the fiscal year ended June 30, 1998, an increase of 32.2%.

Non-operating Income

Non-operating income for the fiscal year ended June 30, 1999 was S\$26.6 million compared to S\$20.5 million for the fiscal year ended June 30, 1998, an increase of 29.8%. The increase was a result of increased interest on bank deposits.

Profit Before Taxation

As a result of the foregoing, profit before taxation was S\$158.9 million for the fiscal year ended June 30, 1999 compared to S\$120.6 million for the fiscal year ended June 30, 1998, an increase of 31.8%.

Provision for Taxation

Provision for taxation was S\$32.4 million for the fiscal year ended June 30, 1999 compared to S\$28.4 million for the fiscal year ended June 30, 1998. This increase of 14.1% primarily reflected an increase in the provision for SES, which went up 36.7% to S\$33.5 million for the fiscal year ended June 30, 1999 from S\$24.5 million for the fiscal year ended June 30, 1998, due to the increase in profit for SES over the same period. This was offset in part by a tax credit for SCCS. SCCS had a tax credit of S\$1.8 million in the fiscal year ended June 30, 1999 due to an operating loss and a reversal of the tax provision for prior year taxes and deferred taxes, compared to a tax provision of S\$3.0 million for the fiscal year ended June 30, 1998. The provision for taxation for the Derivatives Market was relatively constant over the period: S\$0.7 million in the year ended June 30, 1999 from S\$0.9 million in the year ended June 30, 1998.

Profit after Taxation and Before Contribution to Fidelity Fund

As a result of the foregoing, profit after taxation and before contribution to fidelity fund was S\$126.5 million for the fiscal year ended June 30, 1999 compared to S\$92.2 million for the fiscal year ended June 30, 1998, an increase of 37.2%.

Anticipated Investment Losses and Expense Increases

We have traditionally invested our cash reserves in bank deposits and Singapore government securities. Earlier this year, we decided to place a portion of these reserves with independent fund managers for investment in equities, unit trusts and fixed-income instruments. However, in connection with our decision to become a listed company, we have decided to invest in conservative fixed-income instruments such as bank deposits, securities of Singapore and G-7 governments, statutory boards and government agencies, international investment-grade fixed income securities and similar high-quality instruments. We have liquidated our equity portfolio and certain fixed-income instruments as of October 31, 2000 and have realized losses of approximately S\$21.9 million related to that investment. We also have unrealized losses of approximately S\$2.3 million on our fixed income portfolio as of October 31, 2000.

For the fiscal year ending June 30, 2001, we currently anticipate our operating costs to increase by approximately 20%. These increases primarily relate to staff costs (which we anticipate will increase by approximately 20%); depreciation and equipment maintenance expense increases resulting from recent purchases of computer equipment and higher maintenance charges under renewed contracts; and additional marketing and public relations expenses for the purpose of promoting new products, services and alliances. The foregoing is based on our current budgeting, which is subject to change. We cannot assure you that these categories of expenses will not increase by larger amounts, or that other areas of expenses will not increase by material amounts also, whether as a result of decisions by us or as a result of factors outside our control.

We view the aforementioned cost increases as important investments in our new strategies, product development and operations. However, we cannot predict when (or whether) we will realize additional revenues as a result of these investments. If our revenues do not increase, these cost increases, if incurred, and the losses on our investment portfolio noted above, if not reversed, would result in a significant decrease in our earnings for the fiscal year ended June 30, 2001.

Our operating revenues on a quarterly basis are difficult to compare principally because they fluctuate with the level of market activity. Our operating revenues for the three months ended September 30, 2000 were S\$52.0 million, compared to S\$66.9 million for the three months ended September 30, 1999 and S\$55.0 million for the three months ended June 30, 2000. See also "Risk Factors—We Depend on Market Activity That is Outside Our Control."

Financial Position

SGX had cash and cash equivalents at June 30, 2000 of S\$601.4 million. This compares to cash and cash equivalents on a pro forma basis at June 30, 1999 of S\$523.9 million. This increase of 14.8% is attributable to our net profits for the fiscal year ended June 30, 2000. We believe the retention of our cash reserves helps serve important strategic goals. See "—Liquidity and Capital Resources." The net assets of our securities and derivatives fidelity funds were S\$50 million at June 30, 2000 compared to S\$42.3 million at June 30, 1999.

At June 30, 2000, our assets included properties under development of S\$90.9 million. This consisted of our interests in new office buildings under construction. These properties are stated at fair value as of December 1, 1999 in accordance with acquisition accounting rules. The fair value at that date, which was based on an open market valuation on a completed development basis, was S\$83.7 million less than the total purchase consideration, and we have reduced the value on our books accordingly.

A substantial portion of our remaining total assets, and an equivalent amount of our total liabilities, consist of margin funds and settlement variation relating to derivatives contracts and receivables related to daily settlements of securities trades. These amounts fluctuate from day to day in relation to trading activity and in particular in relation to the value of open positions on the balance sheet date. Margin funds and settlement variation relating to derivatives contracts were S\$2,400.0 million at June 30, 2000 compared to S\$1,897.6 million at June 30, 1999 and S\$1,621.7 million at June 30, 1998. Receivables related to daily settlements of securities

trades (and the related liabilities) were S\$319.9 million at June 30, 2000 compared to S\$1,001.3 million at June 30, 1999 and S\$274.4 million at June 30, 1998. We also have assets and equivalent liabilities relating to cash deposits of our clearing members made to support their obligations. These amounts for the Securities Market and the Derivatives Market were S\$31.6 million at June 30, 2000 compared to S\$24.3 million at June 30, 1999 and S\$23.2 million at June 30, 1998. Our clearing members and settlement agents also provide letters of credit and bank guarantees to support their obligations, which are not included on our balance sheet.

We do not have any indebtedness for borrowed money, nor did SES, SIMEX or SCCS have any indebtedness for borrowed money in the earlier periods discussed. We have unsecured contingent liabilities to banks for standby letters of credit issued to CME and the London Clearing House in the face amounts of US\$41 million and US\$2.5 million, respectively, in accordance with our mutual offset arrangement with CME. These letters of credit support guarantees given by us on behalf of our clearing members as margin for their open positions. Our liabilities are in turn supported by the margin funds posted by our members with us.

Liquidity and Capital Resources

SGX had net cash flows from operating activities of S\$120.3 million for the fiscal year ended June 30, 2000 on a pro forma basis. This compares to net cash flows from operating activities of S\$94.9 million for the fiscal year ended June 30, 1999, an increase of 26.8%. This change resulted from profit generated during the period less capital investments.

Prior to the Merger, SES, SIMEX and SCCS have never paid any dividends to their shareholders. SES was prohibited by its Articles of Association from doing so, while SIMEX and SCCS, as a practice, did not do so. As SGX is a for-profit, demutualized entity, our board of directors may choose to pay dividends. See "Dividend Policy." Any payment of dividends would decrease cash reserves and net assets.

Capital expenditures of SGX on a pro forma basis for the fiscal year ended June 30, 2000 were S\$65.1 million, consisting primarily of expenditures for the development of our new office building (S\$31.1 million) and for computer equipment for workstations for Securities Market members, upgrades to the Derivatives Market's electronic trading system, equipment for the Derivatives Market business recovery center and improvements to the SGX backoffice system (S\$32.1 million). For the fiscal years ended June 30, 1999 and June 30, 1998, capital expenditures were S\$41.1 million and S\$54.0 million respectively. These amounts consisted primarily of expenditures for the development of our new office building complex (S\$25.3 million for the fiscal year ended June 30, 1999 and S\$41.2 million for the fiscal year ended June 30, 1998, respectively) and for computer equipment for improvements to the Securities Market trading system and SGX ETS (S\$14.0 million for the fiscal year ended June 30, 1999 and S\$8.7 million for the fiscal year ended June 30, 1998, respectively).

The remaining contracted cost for the development of our new office building complex at June 30, 2000 was S\$122.1 million, of which S\$100.9 million is to be paid by June 30, 2001 and the remainder by December 31, 2001. We expect the project to be completed within this budget. This amount does not include the cost of the interior design and outfitting of the offices. Our budget for other capital expenditures for the fiscal year ended June 30, 2001 is S\$58.1 million, consisting primarily of payments for workstations for new Securities Market brokers, leasehold improvements and improvements to the Derivatives Market's electronic trading system and the trading infrastructure. This does not include projects, mainly consisting of capital expenditures for new technology to enhance our trading systems, for which we will request funding of S\$14.3 million from the FSDF.

We expect that the principal use of funds in the foreseeable future will be to fund operations, capital expenditures and working capital, and anticipate that cash from operations and existing cash balances will be sufficient to meet such needs.

In addition to such uses, we believe our cash resources will enable us to respond to strategic opportunities in the near future. We expect that there may be regional or global consolidation in our industry, as well as

technological developments with ECNs and other non-traditional trading networks that may dramatically alter the competitive landscape. In light of these conditions, we believe it is important to retain substantial cash assets in order to take advantage of opportunities for mergers, consolidations, strategic investments or investments in new technologies. We will evaluate this policy from time to time.

Foreign Exchange

The margin amounts required by the Derivatives Market may be posted in the currency of the relevant contract. As a result, a substantial portion of the aggregate margin amounts are posted in Japanese yen or U.S. dollars. Since the Derivatives Market keeps $\frac{1}{8}$ of 1% of the interest received on these deposits, it receives interest payments in currencies other than Singapore dollars. In addition, some of the clearing fees charged to brokers trading on the Derivatives Market are charged in U.S. dollars. As a result, the Derivatives Market receives income in U.S. dollars and Japanese yen as well as Singapore dollars. While we have some expenses in U.S. dollars and Japanese yen, these have been significantly less than our revenues in such currencies. As a result, we convert excess revenues received in non-Singapore dollars from time to time in the spot market. We have purchased Euros to cover certain operating and capital expenses related to our electronic trading systems that are denominated in Euros. We do not engage in any speculative foreign exchange transactions.

Recent Accounting Pronouncements

On August 25, 2000, the Institute of Certified Public Accountants of Singapore approved the adoption of a new accounting standard, SAS 36, effective for periods beginning on or after October 1, 2000, which relates to the recognition of impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. This could have an impact on our financial condition because we would need to recognize an impairment loss if property prices fell sufficiently to cause the carrying amount of our interests in properties (including those under development) as at the last accounting period end date to exceed their recoverable amounts. Another new standard, SAS 33, dealing with the accounting for financial instruments, will become effective for periods beginning July 1, 2001. The main impact of this standard to SGX will be the allowance of "available for sale investments" to be remeasured to fair value with unrealized changes in fair value being taken to shareholders' equity until the asset has been sold, whereupon such realized gains or losses will be recognized in the profit and loss account. In addition, the Institute of Certified Public Accountants of Singapore is adopting seven other new accounting standards (which will also be effective for periods beginning on or after October 1, 2000) which pertain to a variety of subjects including accrual for dividends, recognition of employee benefits, requiring purchase accounting for business combinations, disclosure and measurement of financial instruments and accounting for intangible assets. We do not currently expect any of these other seven standards to have a material impact on our financial condition, results of operations or cash flows. The Institute is adopting all nine standards so as to substantially align Singapore standards with International Accounting Standards. We are currently reviewing these new accounting standards for adoption. This review is expected to be completed later in the financial year.

Inflation

In recent years, inflation has not had a material impact on our performance.

INDUSTRY OVERVIEW

General

Securities and derivatives exchanges around the world operate in a rapidly changing environment. Many exchanges have benefited from recent global economic growth and greater demand for securities and derivatives. They have also benefited from increased deregulation of capital markets. Finally, advances in technology and in particular the development of the Internet have increased access to information and stimulated participation by investors.

These same forces and others, however, have created a much more competitive environment for securities and derivatives exchanges. In particular:

(i) The liberalization and globalization of world markets has meant greater mobility of capital, more international participation in any given country's markets, and more competition between markets.

(ii) Technological developments have led to the creation of ECNs and other non-traditional trading networks. Their growth, and in particular their ability to execute trades outside traditional exchanges, at any hour and across national boundaries, has posed fundamental challenges to exchanges and to the framework of market regulation in most countries.

(iii) The consolidation and internationalization of securities and derivatives market participants, and the growth of investment funds, have accelerated these trends. Institutional investors, working with increasingly large pools of capital, constantly seek strategies to diversify their investments and to achieve better price discovery, better execution, lower costs and more liquidity. This has led them to increasingly trade across national boundaries, in different markets, outside of exchanges and directly between themselves.

As a result of these forces, there is increasing competition among exchanges and between exchanges and non-traditional trading alternatives. The concept of a national market has become less relevant. Securities markets, in particular, previously enjoyed a relative monopoly with respect to trading of securities of companies in their home jurisdiction. This has become less important as companies seek access to the largest pools of capital and new financial instruments and platforms facilitate cross-border investing. For derivatives exchanges, which have never enjoyed such a monopoly, greater information dissemination and increased cross-border capital flows enable trading to be concentrated in just a few centers.

In reaction to the economic, technological and competitive dynamics they face, many exchanges are trying to be more 'market' driven to ensure that they deliver the value-added services that market users demand. Exchanges around the world are exploring a variety of new strategies. These include mergers of cash and derivatives markets; demutualizations, privatizations and public offerings; mergers, alliances and technological linkages with other exchanges; and cooperation among exchanges to enhance regulation. Many exchanges have adopted initiatives to promote lower costs and widen product offerings to generate more liquidity in the markets. Exchanges are also making significant investments in technology to streamline processing, allowing them to provide better service to exchange participants and reduce transaction fees, thereby increasing competitiveness.

The following briefly outlines (i) the growth in world securities and derivatives markets over the past decade, (ii) the current position of our Securities Market and Derivatives Market compared to other exchanges around the world, (iii) the development of ECNs and non-traditional trading networks and (iv) some of the recent mergers, alliances, linkages and similar developments that have taken place among exchanges around the world in response to the changing environment in which they operate.

Rapid Growth in World Markets over the Past Decade

According to the International Finance Corporation, the combined market capitalization of world stock markets has increased from US\$11.7 trillion at the end of 1989 to US\$37.1 trillion at the end of 1999. This can

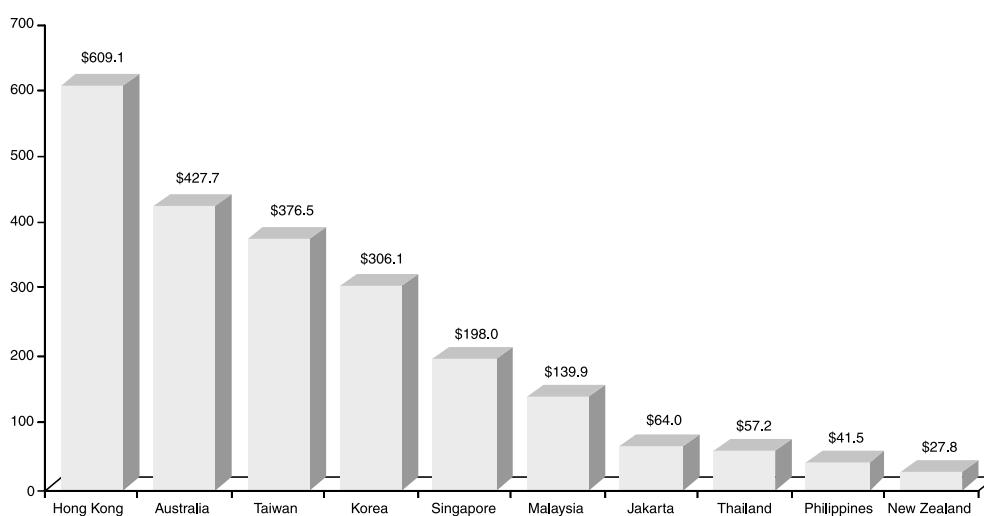
be compared to growth in world GDP from US\$22.9 trillion at the end of 1990 to US\$30.6 trillion at the end of 1999. The growth in world stock markets has occurred in the U.S., Europe and Asia (excluding Japan). The market capitalization of the U.S. markets has increased from US\$3.5 trillion at the end of 1989 to US\$16.6 trillion at the end of 1999. Asia's markets, excluding Japan, increased from US\$524 billion to US\$1.7 trillion at the end of 1999. Japan's markets were US\$4.4 trillion at the end of 1989. They declined significantly during the decade before rebounding to US\$4.5 trillion at the end of 1999.

Derivative markets have grown in conjunction with the growth of the world's securities markets. According to the International Monetary Fund, the total number of derivative contracts traded on the exchanges around the world has increased from approximately 421 million in 1989 to approximately 1,362 million in 1999. In the Asia Pacific region, the total number of derivative contracts traded has increased from approximately 64 million in 1989 to 208 million in 1999.

Comparative Position of Our Securities and Derivatives Markets

The largest stock markets in the world are those in the U.S. (NYSE and Nasdaq Stock Market), Japan (Tokyo Stock Exchange) and Western Europe (London Stock Exchange, ParisBourse and Deutsche Börse). Within Asia (including Japan and Australia), our Securities Market is the 6th biggest stock market measured by market capitalization of domestic companies as of December 31, 1999. The following chart sets forth the relative size of our Securities Market compared to some other Asian securities exchanges, measured by total market capitalization as of December 31, 1999.

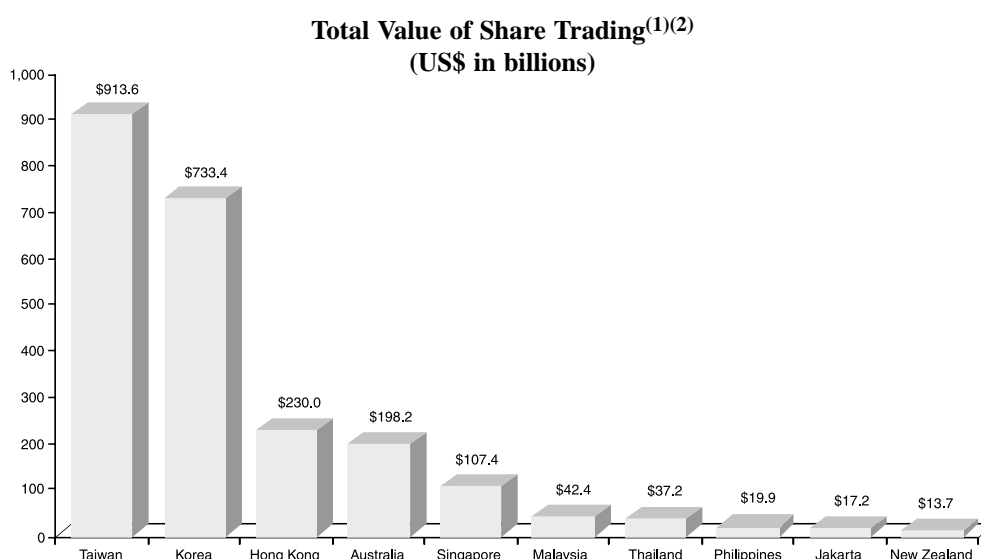
Market Capitalization of Shares of Domestic Companies⁽¹⁾⁽²⁾
(US\$ in billions)



(1) Main and Parallel Markets; exclude investment funds

(2) Source: FIBV

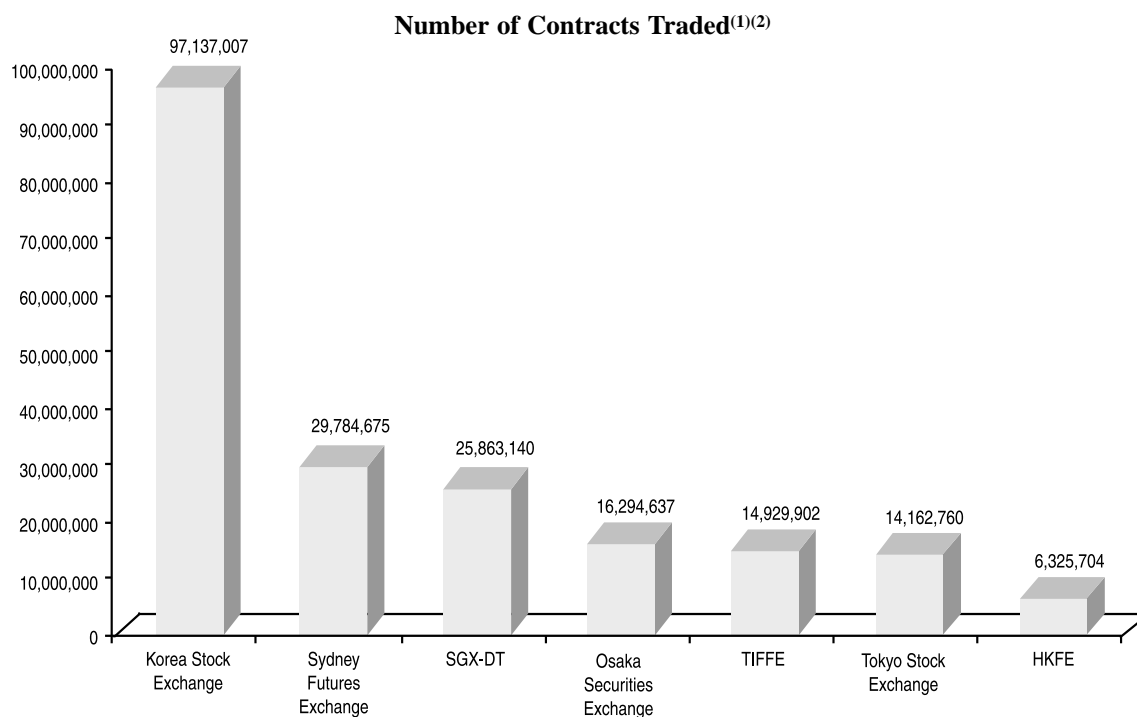
The following chart compares our Securities Market to some other Asian securities exchanges measured by the total value of share trading for the year ended December 31, 1999.



(1) Domestic and foreign, including investment funds

(2) Source: FIBV

The largest derivatives exchanges in the world are Eurex, the Chicago Board of Trade and CME. Within Asia (including Japan and Australia), our Derivatives Exchange is the 3rd largest, measured by the number of contracts traded in 1999. The following table compares the Derivatives Market to other Asian derivatives exchanges (including Australia and excluding commodities exchanges), measured by the number of contracts traded in the year ended December 31, 1999.



(1) Source: Futures Industry Magazine, Feb/Mar 2000

(2) Excludes futures and options on individual equities

Development of ECNs and Non-traditional Trading Networks

During the last decade, there has been a rapid growth in ECNs and other non-traditional trading networks. ECNs are computerized trading systems. Typically, they are fully automated networks that match orders and set prices for trades. However, ECNs generally do not perform their own clearing and settlement functions or related back office and depository functions, nor are they typically regulated in the same manner as an exchange.

The growth of ECNs first occurred primarily in the United States. Several ECNs arose to compete with market makers on the Nasdaq Stock Market for order flow in response to changes in the United States Securities and Exchange Commission's rules governing order handling in 1997. Approved ECNs have the ability to display their best bid and ask quotes on the Nasdaq Quote Montage. It is estimated that over 30% of transactions in Nasdaq-quoted securities are now done through ECNs.

The growth of ECNs has occurred in fixed income and other markets as well. Moreover, ECNs vary considerably in the type of services they provide, regardless of the product that is traded. For example, they include dealer systems that enable investors to execute transactions directly with one or more dealers, interdealer systems that enable dealers to execute trades with one another, cross matching systems that bring dealers and institutional investors together, and primary auction systems that permit issuers to solicit bids for new offerings.

The ECNs systems that have been approved by the SEC and the National Association of Securities Dealers ("NASD") to participate in the Nasdaq Stock Market include Archipelago, Attain, B-Trade Services LLC, BRUT ECN, Instinet, Island, NexTrade and REDIBook. Some of these also handle orders in other stocks. In particular, Archipelago has announced an agreement with the Pacific Exchange to create, subject to SEC approval, an electronic stock market that will offer a trading mechanism for NYSE, AMEX and Nasdaq stocks.

Some ECNs also trade other securities. In the case of debt securities, the interdealer systems BrokerTec Global LLC, eSpeed, Inc. and Instinet Fixed Income are among the best known.

Outside the United States, a number of ECNs have developed. Among the best known are Jiway, Brokertec and Tradepoint. Jiway describes itself as the first integrated European electronic stock exchange on which it will be possible to trade and settle 6,000 equities listed in the US and Europe. Brokertec claims to provide a global, electronic interdealer brokerage for fixed income securities and derivatives. Tradepoint describes itself as an electronic stock exchange for professional traders for UK and European stocks. Some of these ECNs also claim to provide related clearing or custody services.

The shareholders of the ECNs listed above include major investment banking firms, information technology companies, mutual fund companies, broker-dealers and specialists operating on exchanges, and exchanges themselves. Some ECNs hold interests in one another.

Given their rapid growth in a variety of markets and regions, and their proven ability to capture transactions that were formerly executed on exchanges, ECNs pose a competitive threat to traditional exchanges, including SGX, that may be greater than competition from other exchanges.

The foregoing description is for illustrative purposes only and is not comprehensive. There are many other ECNs operating, and many of the entities described above have activities beyond those mentioned herein.

Responses of Exchanges to Global Trends

The following is a brief description of some of the mergers, alliances and linkages recently announced by leading exchanges around the world in response to the more competitive dynamics they face. It is by no means comprehensive, either as to the strategies of any particular exchange or as to breadth and depth of developments in the market as a whole. It is presented only to give the reader a flavor of the rapidly changing environment in which we operate.

United States

NYSE. The NYSE has indicated its desire to form a global equity market and has held discussions with other exchanges regarding such a concept. Participants in such discussions have reportedly included the Tokyo Stock Exchange, HKEx, ASX, Euronext, Toronto Stock Exchange, Bolsa Mexicana de Valores and Bolsa de Valores de Sao Paulo. The NYSE has announced an intention to form an electronic trading link with Euronext. It has also launched a continuously traded global index fund based on an S&P index with the Tokyo Stock Exchange and the Deutsche Börse.

Nasdaq Stock Market. The Nasdaq Stock Market has also indicated a desire to form a global alliance with other exchanges. It has entered into a co-trading and information sharing agreement with HKEx, and has formed Nasdaq Japan in cooperation with the Osaka Stock Exchange. It is also working with SSI of India to create IndigoMarkets, a company that will develop infrastructure for a global trading system. It will also implement its SuperMontage system which will display more price information and facilitate automatic execution of trades. It has also recently completed an offering and reportedly is considering a public offering.

Europe

A number of European exchanges have combined their cash and derivatives trading operations and, in a few cases, clearing operations as well. In some cases this involves joint ownership but not necessarily merged operations. The Deutsche Börse was formed by the combination of the Frankfurt Stock Exchange (securities exchange), Deutsche Terminbörse (derivatives exchange), Deutsche Börse Systems AG (systems and operations) and Deutsche Börse Clearing AG (clearing and custody). Similarly, in France, the equity markets, derivatives markets, and other operations have been combined under the ParisBourse SBF SA. The London Stock Exchange and the Deutsche Börse had announced plans to merge to form iX—international exchanges plc, but this proposal was recently terminated. There have also been cross-border developments in Europe, including the following:

Eurex—Eurex is an electronic international futures and options trading and clearing platform. It was established in September 1998 and is jointly run by the Deutsche Terminbörse and the Swiss derivatives exchange (SOFFEX). The two exchanges are still separate for regulatory reasons but Eurex describes itself as offering a single market to customers. It has become the largest derivatives market in the world measured by the number of contracts traded. It has alliances with the Chicago Board of Trade and the Helsinki Derivatives Exchange and has indicated its intention to expand into the East Asian/Pacific market.

Euronext—The ParisBourse SBF SA, the Amsterdam Exchanges N.V. and the Brussels Exchanges Limited have recently merged to form Euronext. Euronext says it will be “a single integrated market” operating through three different subsidiaries in the three member countries. It will operate an integrated trading platform for securities, derivatives and commodities which will be accessible through the three different markets, but with common clearing and settlement through a single entity, Clearnet S.A.

Asia

In Asia, there has also been activity among various exchanges to strengthen their competitive positions. In addition to some exchanges being parties to the linkages and the global alliance discussions mentioned above, the recent developments include the following:

Tokyo Stock Exchange—It has been a participant in global alliance discussions with the NYSE and has an alliance with ASX for sharing information.

Hong Kong Exchanges and Clearing Limited—HKEx was formed through the demutualization and merger in March 2000 of the Stock Exchange of Hong Kong Limited, the Hong Kong Futures Exchange Limited, and their related clearinghouses. Its shares are listed on its own board.

Australian Stock Exchange—The ASX has converted from a demutualized to a for profit status and has listed on its own board.

BUSINESS

Overview

We own and operate the only integrated securities exchange and derivatives exchange in Singapore and their related clearinghouses. Our exchanges have a presence and prominence that extends beyond the borders of Singapore. The securities exchange was the first fully electronic and floorless exchange in Asia. It has been home to the listing of the leading companies in Singapore, whose economy is one of the most developed in Asia, and at the forefront of Asian exchanges in attracting listings of companies from other countries. The derivatives exchange is one of the largest in Asia and was named “Derivatives Exchange of the Year” in 1989, 1992, 1993 and 1998 by the International Financing Review and “Asia’s Best Derivatives Exchange in 1999” by The Asset magazine. Together, the two exchanges serve a wide array of international and domestic investors and end users, including many of the world’s largest financial institutions, and have been among the most innovative exchanges in the world in technological and new product development.

As a self-regulatory organization, we engage in extensive regulation and monitoring of our members as well as market activities in order to minimize the risk of default and ensure market integrity. We believe our markets are among the best regulated in the world, which is vital to attracting and retaining the participation of international investors.

We have been consistently dedicated to developing alliances and new products in order to meet the changing needs of the international and domestic financial communities. We were a founding member of the GLOBEX Alliance which today includes CME, ParisBourse SBF SA and several other derivatives exchanges throughout the world. We also have alliances or significant relationships with CME, AMEX, ASX, and the National Stock Exchange of India. We have introduced a variety of securities and derivatives products to respond to investors’ desires for 24-hour trading, diversification and trading across markets.

We were formed in 1999 pursuant to the Merger Act in order to effectuate the demutualization and merger of the two exchanges. In 1998, the government of Singapore commenced a process to demutualize and merge the two exchanges in order to enhance their competitive position and to respond to global trends. In particular, demutualization and merger was seen as the best path to enable the exchanges to serve the broader interests of the financial sector and the needs of their customers and end-users, to minimize operating costs, to enter new business lines and to enhance their competitive positioning vis a vis other exchanges and ECNs.

Prior to the Merger, each exchange was owned by the member firms that engaged in trading and clearing and settlement functions. Pursuant to the Merger Act, SGX was created to own the exchanges and their related clearinghouses, and the former owners and seatholders were given shares in SGX in exchange for their shares and seats in the two exchanges.

Today, our business is organized as follows:

- *The Securities Market*—we use this term to refer to the activities of Singapore Exchange Securities Trading Limited (“SGX-ST”, formerly known as the Stock Exchange of Singapore Limited (“SES”)) and The Central Depository (Pte) Limited (“CDP”), the clearinghouse and depository for the securities market, both of which are wholly owned subsidiaries of SGX;
- *The Derivatives Market*—we use this term to refer to the activities of Singapore Exchange Derivatives Trading Limited (“SGX-DT”, formerly known as the Singapore International Monetary Exchange Limited (“SIMEX”)), and Singapore Exchange Derivatives Clearing Limited (“SGX-DC”), our clearinghouse for derivatives trading, both of which are wholly owned subsidiaries of SGX; and
- *The IT Solutions Division*—we use this term to refer to the activities of Singapore Exchange IT Solutions Pte Limited (“SGX-ITS”), a wholly owned subsidiary that offers ancillary securities processing and information technology services to financial sector participants.

Our Strengths

We believe our principal strengths include the following:

- *Diversified Business*—Because we operate both a derivatives and a securities exchange, their respective clearing houses and a securities depository, our earnings stream and business risks are diversified. Different economic conditions, for example, may affect the volume and value of securities and derivatives trading differently. In addition, our business is diversified because we offer a wide range of diverse yet complementary products to appeal to market participants with varying risk appetites and financial needs. We believe this diversification will be even more important in the future if there is continued convergence of the securities and derivatives markets.
- *Comprehensive Services*—Because we perform all steps in the value chain of our businesses—order routing, trading, matching, clearing, settlement and depository functions—we can provide a greater range of services, as well as better quality services, than many of our competitors. Our end users also realize efficiencies that come from combining under one entity all the steps in the process. Because of our vertical integration, we can leverage the technological and other assets we have (such as our extensive customer base) to offer additional complementary services, such as back office functions for brokers and e-commerce activities. In addition, the combination of the two exchanges enables us to develop coordinated and innovative products and trading processes that respond to the increasing convergence of securities and derivatives trading and provide enhanced liquidity for investors. We believe the integrated nature of our operations gives us significant competitive advantages over other exchanges and ECNs that are not combined or that do not perform their own clearing and settlement functions.
- *Innovative Products and Alliances*—We are innovative in responding to the needs of the international financial sector for products and trading platforms. For example, the Derivatives Market was the first Asian exchange to offer Eurodollar futures and the first exchange in the world to offer Japanese and Taiwanese stock index futures. In 1984, the Derivatives Market and CME created the world's first electronic mutual offset system for Eurodollar and later Euroyen futures trading. This relationship, which helped stimulate the explosive global growth in the Eurodollar futures market over the last 16 years, has been arguably the most successful alliance between exchanges. The Derivatives Market is also a founding member of the GLOBEX Alliance, the world's largest international alliance among derivatives exchanges. The Securities Market introduced one of Asia's first small capitalization boards, a market dedicated to the capital raising efforts of smaller companies. It has also developed mechanisms for dual listings and cross-border trading. Both exchanges expect to launch several new products and alliances within the next twelve months that will respond to the increased demand for global and cross-market trading and the convergence of securities and derivatives trading.
- *Extensive Individual Account System*—Unlike most other depositories where only clearing members have accounts, our wholly owned depository uses a system whereby each individual investor may have his own individual direct account or a sub account with an approved depository agent. As a result, in our settlement process we transfer securities to or from the individual investor's account, although monetary settlement is still made with the clearing member (or depository agent). This system not only reduces risk of error, delay or loss in settlement of securities, but it also provides an asset that we can leverage in a number of ways. It has enabled us to provide a range of depository and back office services, similar to many of the functions of a company registrar and transfer agent. We also intend to use this asset to develop new business possibilities, which may include stock borrowing and lending and various e-commerce activities.
- *Technological Innovation*—We have highly developed electronic systems for order entry, trading, clearing and settlement and depository services and have always emphasized investment in technology. In March 1989, the Securities Market was the first securities exchange in Asia to replace a conventional trading floor with an electronic system, which has been the sole means for executing securities trades since such time. Today the Derivatives Market uses an electronic platform as well as an open outcry system. Both exchanges have highly automated clearing and settlement systems which, in the case of the Securities Market, effectively permit straight through processing for settlement of securities for direct account trades. That is,

once an order is entered on behalf of a direct account, no further human intervention is necessary, assuming the trade is matched, to effect delivery of the securities to the investor. We are currently creating an open application program interface (“API”) to our trading platforms to facilitate access by end-users, as well as a common order entry screen for derivatives and securities trading.

- *Self-Regulatory Organization*—We perform most of our own risk management and regulatory functions. As a result, we can develop and enforce rules that provide our members and customers with a high level of comfort that the markets are fair and transparent. We devote significant resources to this effort and believe it contributes significantly to our reputation and our competitive position. Moreover, we believe ECNs and other non-traditional trading networks that do not have a history of self-regulation may find it difficult to satisfy market participants’ concerns in this regard.
- *Strength, Stability and Integrity of Singapore*—Our exchanges benefit from the strength and reputation of the Singapore government and economy. Singapore’s robust economy, well developed financial sector, political stability and reputation for sound regulation have all contributed to creating financial markets that are widely regarded as fair, orderly and transparent. Singapore is a democracy which has enjoyed political stability over the last 35 years. This has provided a basis for its tremendous economic growth, which has resulted in one of the highest per capita income levels in the world. It has a highly developed and diversified financial sector in which foreign institutions play a major role, and a freely convertible currency. Its use of English as an official language and its common law-based legal system have also provided a strong basis for the development of international financial activity. All of these attributes, as well as its infrastructure, have made it extremely attractive to foreign businesses and professionals.
- *Well-Positioned for Regional Activities*—Because Singapore is a center for financial market activity for Asia generally and not simply for itself, we are well-positioned to engage in regional activities. While most other Asian exchanges largely confine their activities to their domestic markets, we have a proven ability to initiate and participate in cutting-edge developments in the international marketplace and can serve as a center for activity across the region. We have taken and will continue to take advantage of opportunities for products or alliances involving companies or financial markets in Japan, China, Taiwan, India and other countries throughout Asia as well as Australia.

Our Strategy

As technology advances and competition intensifies globally, our challenge is to respond to desires for improved price discovery, lower costs, faster trading and greater access. In particular, investors seek assurances that they will receive the best execution possible and want opportunities to trade across markets and at extended hours. To meet these demands, the principal elements of our strategy will be as follows:

- *Providing Open Access to Trading, Clearing and Settlement Systems*—We have operated our trading systems on proprietary workstations which we have leased to our members. As part of our strategy to give broader access to our marketplace, we are developing an open API for our securities trading system, which we expect to be operational by the second quarter of 2001. We believe that our open access policies position us to take advantage of the growing use of the Internet as a commerce medium. Open access will encourage the development of order routing systems by brokers and independent software vendors accessing our platform using their own hardware in addition to the proprietary SGX terminals. It will also permit clients of a broker to directly access information from our trading system through an electronic link to the broker’s system. We will also implement a common order routing gateway so that a customer can have simultaneous access to both securities and derivatives trading from a common screen. As part of our effort to facilitate greater efficiencies in the clearing process, we will also provide brokers with a complete interface with our clearing and settlement systems so that they can link up their own back-office processing system. Opening clearinghouse access will foster efficiency, keep transaction costs low, enable us to implement a faster settlement process and the industry to implement an improved risk management system.
- *Expanding Distribution of our Products*—In addition to the open access policies, we plan to implement several other measures to stimulate participation in our markets. Effective October 1, 2000, broker

commissions were deregulated. In addition to being a stimulus to participation in its own right, we believe this change will complement our open access policies and stimulate the creation of order routing systems and Internet trading. We are also restructuring membership categories and financial requirements to reflect the demutualized status of our exchanges and to promote participation among Singapore and foreign financial institutions. We now permit a single legal entity to become a member of both SGX-ST and SGX-DT. Together with the MAS, we plan to create a risk-based capital system that should lower costs for our members. We are also considering creating separate trading and clearing membership categories and permitting cross margining by members (between the Securities and Derivatives Markets).

- *Developing Alliances with Other Exchanges that Position SGX as a Leader in Creating Market Access*—We believe that there are opportunities for collaboration with other exchanges that can be mutually advantageous. We have recently reached an agreement with ASX that will allow brokers on each exchange to trade selected stocks listed on the other exchange. Each exchange will provide its participants with access to the other exchange's trading platform, and will serve as the counterparty to the trades made by its participants on the other exchange so as to facilitate settlement. We believe this venture, which does not require either exchange to risk losing volume through dual listings, can serve as a model for regional cooperation. We have also reached an agreement with AMEX to create and promote the ETF business in Singapore. This alliance allows us to develop a new product for the Asian marketplace by teaming up with the world leader in ETFs. These agreements can only be implemented after detailed arrangements have been agreed upon. See “—Our Securities Market—International Alliances.”
- *Developing New Products that Target Investor Needs*—We believe there are continually opportunities to develop new products that address the needs of financial market participants. The Derivatives Market recently reached an agreement with the National Stock Exchange of India and has launched a futures product based on the S&P CNX Nifty Index, a leading index of Indian equities. This permits non-Indian investors to gain exposure to, and manage the risk of investment in, the Indian market in an efficient manner. The Securities Market also plans to trade ETFs in collaboration with AMEX and is exploring opportunities for the trading of Asian government bonds.
- *Developing Ancillary Services that Leverage Our Strengths*—We intend to offer ancillary services to the financial community that capitalize on some of our operational strengths and assets. For example, the IT Solutions Division will offer information technology solutions to brokers and other financial institutions that draw on our strength in automated processing of securities trading, clearing and settlement functions. In addition, we believe our securities depository customer base, together with our technological expertise, gives us an opportunity to develop complementary e-commerce activities.
- *Facilitating the Development of a Stock Borrowing and Lending Business*—We believe we can lead the development of a stock borrowing and lending market in Singapore by utilizing, with the consent of the owner, the securities immobilized at our securities depository. Because we serve as a depository as well as a clearing and settlement entity, we are well positioned to promote such a market, the creation of which is subject to certain legal and other issues which are outside our control. We believe the creation of a stock borrowing and lending market would serve the needs of market participants in a variety of ways, as it would increase investor trading options, increase liquidity of the Securities Market and promote the development of a stock options market, as well as create a new revenue stream for us.

Our Securities Market

Overview

As of December 31, 1999, the Securities Market was the world's twentieth largest stock market by total market capitalization of listed companies. As of June 30, 2000, 445 companies were listed on the boards of the Securities Market, comprised of 375 domestic companies and 70 foreign companies and accounting for a total market capitalization of S\$569.6 billion (US\$329.2 billion). The Securities Market had operating revenue of S\$189.2 million (US\$109.4 million) for the fiscal year ended June 30, 2000.

The roots of the Securities Market can be traced back to the formation of the Singapore Stockbrokers' Association in 1930. In 1960, a number of Singapore and Malaysian stockbroking firms established the Malayan Stock Exchange with two trading floors linked by direct telephone lines. The SES was established upon the separation of the joint stock exchange, arising from the termination of the interchangeability of currencies between the two countries. In May 1973, the exchange adopted the name the "Stock Exchange of Singapore Limited" and was incorporated as a non-profit making company. It is the only body corporate approved by the Minister for Finance to operate a stock market of a securities exchange in Singapore under the provisions of the Securities Industry Act. It has been reported that the government of Singapore has recently granted one ECN exempt stock market status to offer institutional investors an electronic trading platform for bonds. The SES was one of a small number of exchanges designated as "designated offshore securities market" by the U.S. Securities and Exchange Commission.

CDP was established in 1987 to operate clearing and settlement functions and to provide a depository and computerized book-entry transfer system for the SES Dealing and Automated Quotation system market ("SESDAQ") and was expanded in 1993 to service the entire Securities Market. Thus, unlike some of the largest exchanges in the world (such as the NYSE, NASDAQ and the London Stock Exchange), we perform our own securities clearing and settlement functions. CDP is an eligible foreign custodian under Rule 17f-5 of the U.S. Investment Company Act of 1940. This recognition allows American investment companies to custodize their securities with CDP for Securities Market-listed securities traded on a book-entry basis.

Revenue Sources

The principal sources of revenue for the Securities Market are derived from (i) clearing fees, (ii) computer rental fees, (iii) account maintenance and processing fees, (iv) listing and membership fees and (v) fees from the sale of price information to third party distributors. The Securities Market does not currently charge a trading fee but is considering implementing one for trade matching. The following chart sets forth the revenues from such sources for the periods listed below. These figures constitute the revenues of SES and SCCS on a combined basis for the periods prior to the Merger.

Revenue by Category	Twelve Months Ended June 30,		
	1998	1999	2000
		(in millions)	
Clearing fees (net of rebates)	S\$ 57.6	S\$ 96.6	S\$104.0
Rental of computer terminals	24.1	23.2	24.9
Account maintenance and processing fees	33.3	33.6	41.3
Listing and membership fees	8.8	6.8	9.7
Price information fees	1.0	1.2	1.5
Other operating revenue	7.8	8.9	7.8
Total operating revenue	<u>S\$132.6</u>	<u>S\$170.3</u>	<u>S\$189.2</u>

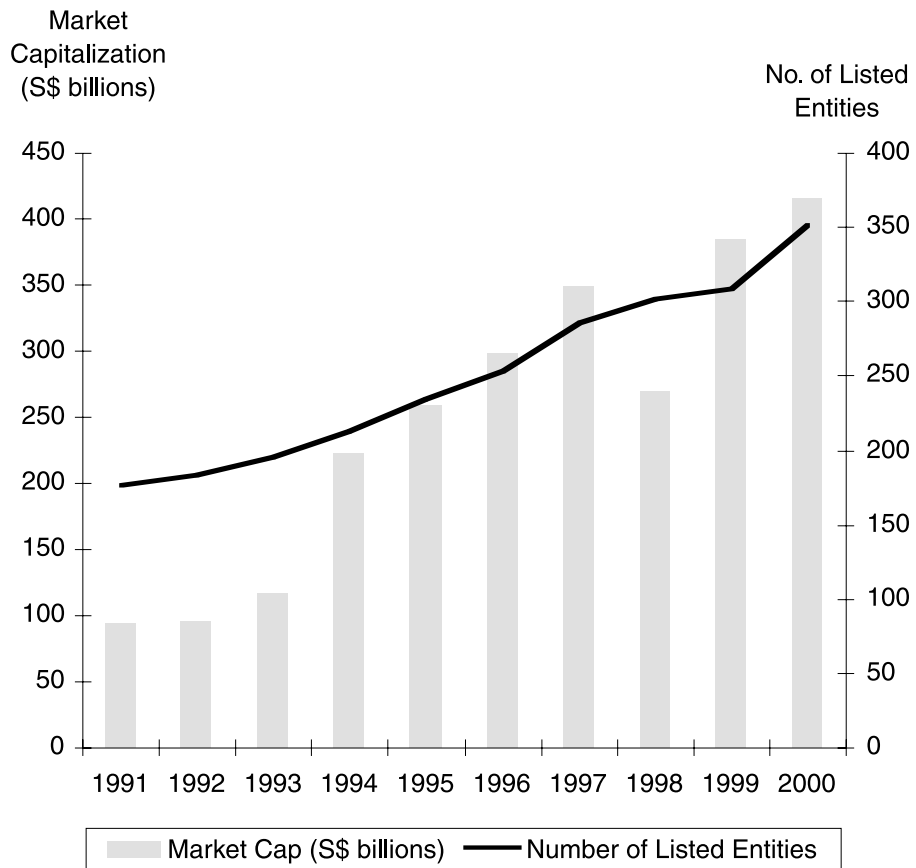
Markets

The Securities Market's primary listing board is the SGX-ST Main Board. The Securities Market also has two other boards, SESDAQ and CLOB International. Although equity securities are the primary securities traded, some investment funds, warrants and debt securities are also listed and traded on either the Main Board or SESDAQ.

Main Board. As of June 30, 2000, 352 companies were listed on the Main Board, representing a total market capitalization of S\$414.5 billion (US\$239.6 billion). To be eligible for listing on the Main Board, companies must meet certain profit or market capitalization requirements. See "—Listings." The five largest companies listed on the Securities Market (measured by market capitalization as of June 30, 2000) were Singapore Telecommunications Ltd, DBS Group Holdings Ltd, Singapore Airlines Ltd, Chartered Semiconductor Manufacturing Ltd, and Oversea-Chinese Banking Corporation Limited, and collectively represented approximately 29% of total market capitalization of the Main Board.

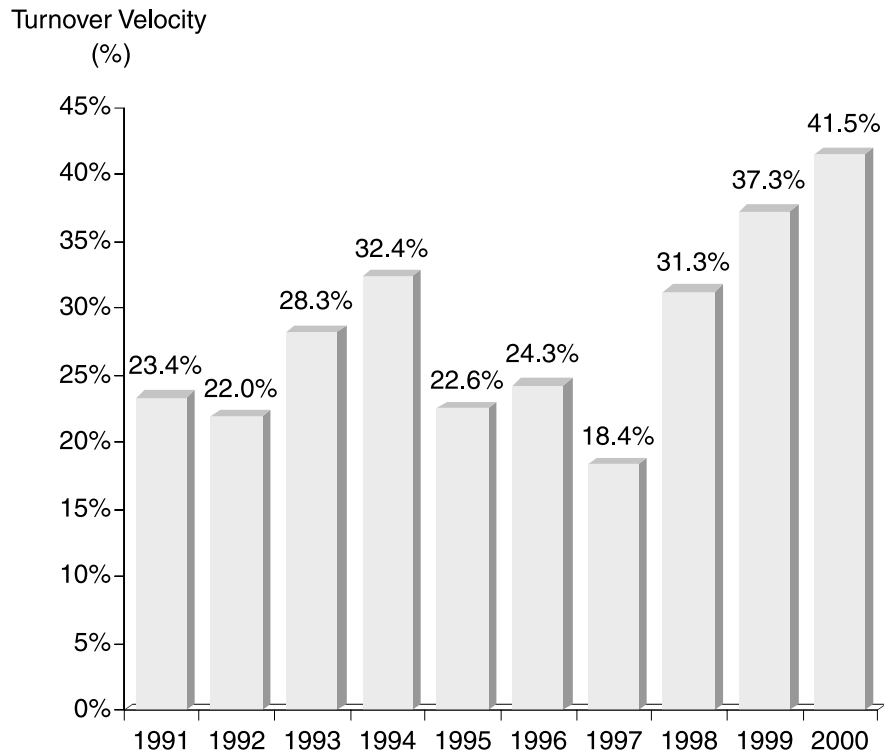
The following chart sets forth the number of listed entities on the Main Board and their total market capitalization as of June 30 for each of the past ten years:

Main Board Market Capitalization and Listed Entities



Liquidity is a significant measure of market attractiveness. A stock market's liquidity ratio measures, in percentage terms, the market value of shares traded on the exchange relative to the total market value of shares listed on the exchange. The following chart illustrates the liquidity ratio of the Main Board as of June 30 for the last ten years:

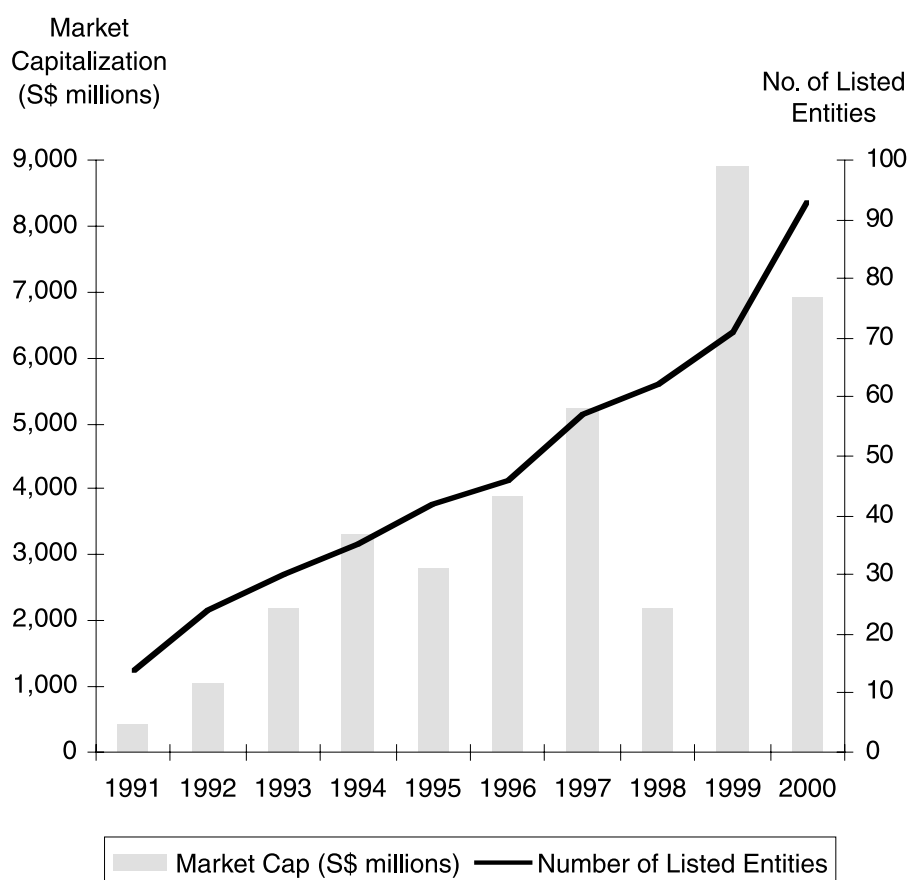
Main Board Liquidity



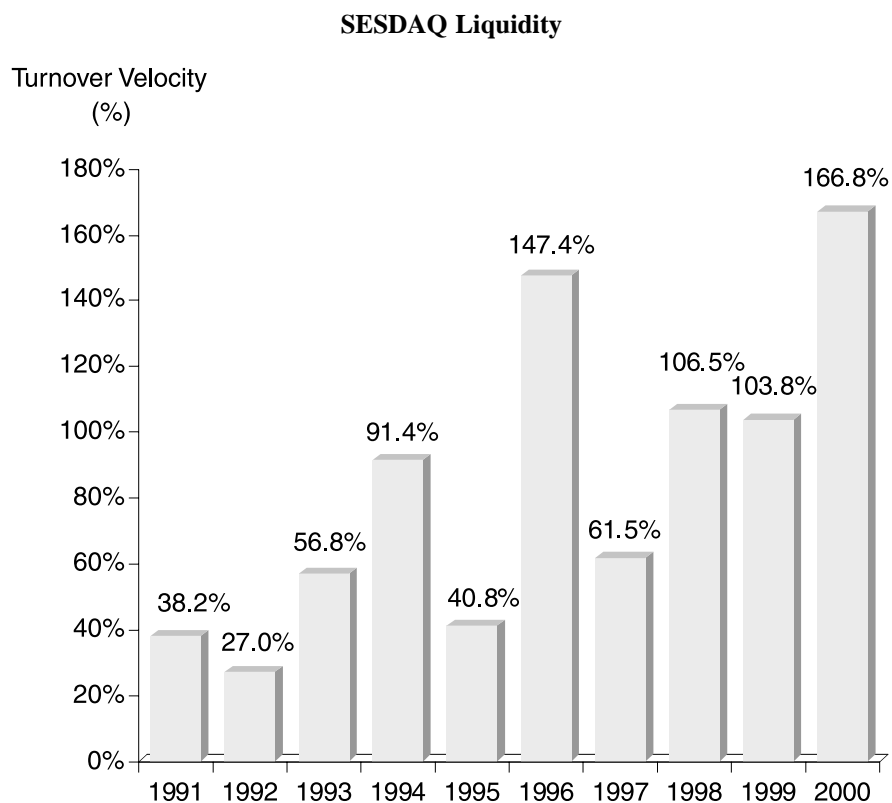
SESDAQ. Launched in 1987, *SESDAQ* was designed to enable small to medium-sized companies that cannot meet the Main Board listing requirements to raise funds for expansion. The listing requirements on *SESDAQ* are less stringent than those for the Main Board. In addition, a company which has been listed on *SESDAQ* for two years and meets the Main Board listing requirements can transfer its listing to the Main Board. As of June 30, 2000, 93 companies were listed on *SESDAQ*, representing a total market capitalization of S\$6.9 billion (US\$4.0 billion).

The following chart sets forth the number of listed entities on *SESDAQ* and their total market capitalization as of June 30 for each of the past ten years:

SESDAQ Market Capitalization and Listed Entities



The following chart illustrates the liquidity ratio of SESDAQ as of June 30 for the last ten years:



CLOB International. In January 1990, the Securities Market introduced a market known as CLOB International to allow investors to trade in a number of international securities that are listed on foreign stock exchanges. Prior to September 1998, Malaysian shares were traded actively on CLOB International. With the imposition of Malaysian capital controls in September 1998, the trading of Malaysian shares on CLOB International was terminated. As a result, shares of Malaysian companies worth an estimated S\$7.87 billion as of June 30, 1999, which were previously traded on CLOB International, were frozen. Following an agreement between the Kuala Lumpur Stock Exchange and SGX in February 2000, CLOB shareholders could choose to have their Malaysian shares, which were then held in CDP's account with the Malaysian depository, transferred to their individual Malaysian accounts. Approximately 93% of the shareholders, holding approximately 98% of the shares, accepted the proposal. To avoid disruption to the Malaysian market, the KLSE requires that the shares be gradually released for trading over a 56-week period beginning July 3, 2000. Those who did not accept this proposal could opt for an alternative release schedule at the end of 2002. As of June 30, 2000, 18 companies were quoted on CLOB International, representing a total market capitalization of S\$148.2 billion (US\$85.7 billion). The Securities Market intends to expand quotations on CLOB International.

International Alliances

Alliance with Australian Stock Exchange. In May 2000, we entered into an agreement with the ASX to design and establish an electronic co-trading and clearing arrangements between the two exchanges which utilizes a common order book. This link will facilitate the efficient trading, clearing and settlement of a limited number of SGX-quoted securities by ASX participants and that of a limited number of ASX-quoted securities by Securities Market participants. The link will allow brokers at each exchange to transmit orders through their existing trading terminals directly into the electronic trading system of the other exchange, see that the trade is matched, and then provide the necessary information for clearing and settling the trade through the other

exchange. Brokers would also have access to market and trading information on the selected securities. For a purchase of an ASX security, the SGX broker must deliver Australian dollars to us, and we will then settle with ASX on the broker's behalf. We would have an omnibus account with CHESSE, ASX's clearing house, for settlement, and we would maintain our own system for tracking beneficial ownership of securities held in that omnibus account on behalf of our members and their clients. Similar arrangements would be made for trades in ASX securities.

We believe this link can increase the liquidity of securities included in the program and can serve as a model for regional cooperation as it does not create a risk to either exchange of losing volume through dual listings.

Co-Listing of Exchange Traded Funds with the American Stock Exchange. We have entered into an agreement with AMEX to co-list and trade certain ETFs, which will be a new product for our Securities Market. AMEX is the world leader for the trading of ETFs with US\$45.3 billion outstanding as of June 30, 2000 and average daily volume of 28.6 million shares for the six months ended June 30, 2000. The two exchanges will establish a joint venture to promote the ETF business in Singapore. It is planned that the ETFs traded on each exchange will be fungible. The arrangement will thus enable retail and institutional investors to trade ETFs across the North American and Asian time zones and on either exchange. Certain joint development expenses, as well as trading revenues, will be for the account of the joint venture company and thus shared by SGX and AMEX. The trading in Singapore of ETFs which are structured as trusts will require regulatory changes and we are in discussion with the relevant authorities regarding such changes.

Listings

A company seeking a listing on the Securities Market must appoint a bank, merchant bank or securities firm as its sponsor, and must file its application, together with the requisite documentation and prospectus, through the sponsor with the Securities Market. The listing must be approved by the Securities Market and the prospectus must be filed with the Securities Market and the Registrar of Companies and Businesses. SGX-ST accepts listing applications from Singapore and foreign incorporated companies.

For a listing on the Main Board, a company must satisfy one of three alternative listing criteria. The first alternative is for the company to have at least minimum cumulative pre-tax profits of S\$7.5 million in the latest three years and a minimum of S\$1 million in each of those three years. In the second alternative, the company must have at least minimum cumulative pre-tax profits of S\$10 million in the latest one or two years. In the third alternative, the company must achieve a market capitalization of at least S\$80 million at the time of the initial public offering based on the issue price, but the company does not need an operating record or a history of profits. In addition, in all cases the company must have at least 25% of its issued shares held by not less than 1,000 public shareholders (or a minimum of 10%, at SGX-ST's discretion, if the company's market capitalization is greater than S\$300 million).

The requirements for a listing on SESDAQ are much simpler. Companies are not required to have any minimum operating record or level of profit. The company must have the greater of 500,000 or 15% of its issued shares held by not less than 500 public shareholders.

The Securities Market requires listed companies to file annual reports, to make announcements on their half-yearly and yearly financial results and to make immediate public announcements of material developments and certain specified matters, such as shareholder meeting dates and places, dividends, changes in directors or officers, and proposed changes to governing documents.

The Securities Market charges fees for initial and subsequent listing of additional securities. In addition, the Securities Market charges annual listing fees in respect of securities listed on the Securities Market.

Members

Prior to the Merger, the Securities Market had 30 active members. All members companies are eligible to trade on the Securities Market; they also act as clearing members. All members were required to be incorporated in Singapore. Foreign ownership was generally limited to 49% until 1998, and then raised to 70%. However, 100% foreign ownership was permitted for a limited number of “international members” who were subject to certain trading restrictions with respect to transactions on behalf of Singapore residents below certain dollar thresholds.

Following the Merger, the Securities Market has begun to revise its membership categories and requirements to reflect its status as a demutualized entity. In July 2000, the Securities Market began accepting applications for new memberships. New members will be subject to trading restrictions with respect to transactions on behalf of Singapore residents below certain dollar thresholds until January 1, 2002. We also now allow a single legal entity to become a member of both SGX-ST and SGX-DT. Further enhancements may also entail creating separate categories for trading-only members and for clearing-only members. As of today, all of the pre-merger Securities Market members have retained their memberships.

Brokerage commissions were previously set by the Securities Market at 0.75% of the dollar value of a trade below S\$150,000 and were fully negotiable for trades above this amount. As of October 1, 2000, brokerage rates became fully negotiable for all transactions on SGX-ST.

Under SGX-ST’s rules and bye-laws, member companies are required to have paid-up capital of at least S\$15 million. Member companies also have to maintain their adjusted net capital (defined generally as the liquid or readily realizable portion of their shareholders’ funds) at not less than S\$10 million and their leverage ratio (that is, their aggregate indebtedness as a percentage of their adjusted net capital) at not more than 700%. In an effort to increase the capital base of member companies, the Securities Market also requires member companies to set aside a portion of their annual after tax profits in a non-distributable reserve fund; the amount required to be set aside by each member company is based on the amount of the member company’s paid-up capital and the amount already standing in the reserve fund.

Agents and employees of member companies must qualify as remisiers or dealers in order to deal on the Securities Market. This involves, among other things, obtaining a dealer’s representative license. Executive directors of member companies are also subject to certain requirements.

Exposure limits mandated by the Securities Market limit member companies’ exposure to particular clients, particular securities and proprietary positions. A member company cannot have exposure to a single customer (measured by the excess of the purchase price over the market value of the securities purchased and in the case of sales, the excess of the market value of securities sold over the contracted sale price) exceeding 20% of its average adjusted net capital, and cannot have exposure to a single security (measured by the higher of the aggregate contract value of all outstanding purchases in a single security and the aggregate market value of all outstanding sales in the same security) of more than 300% of adjusted net capital for securities listed on the Securities Market or the main board of other recognized exchanges; for other securities, the requirements are more stringent. A member company’s exposure to proprietary positions (measured as the aggregate market value of short positions and aggregate book value of all long positions) cannot exceed 150% of average adjusted net capital if the member company’s adjusted net capital is less than S\$75 million or 300% of adjusted net capital if its adjusted net capital is S\$75 million or more.

Margin trading is permitted by the Securities Market, subject to certain regulations. Initially, the cost of the stock plus the value of any collateral deposited must be at least 150% of the loan advanced, so that the broker can advance up to two-thirds of the customer’s equity. If the value of the stock held as collateral falls below 140% of the loan amount, the customer must make further deposits to restore the 140% level within two market days. If the collateral value falls below 130% of the loan value, the regulations give the members absolute discretion to liquidate the margin position immediately. However, members can impose additional requirements on their customers by contract.

Trading Systems

The Securities Market has a fully automated trading platform known as Singapore Exchange Securities Order Processing System (“SESOPS”). The Securities Market has no floor trading—instead, brokers enter orders into computer workstations installed in their offices which are linked directly to the Securities Market’s computer system. The orders are matched electronically in SESOPS and confirmations are sent to the brokers immediately. SESOPS maintains an order book for every traded stock and matches buy and sell orders. Each order in the order book has a limit price. This is the highest (for a buy order) or lowest (for a sell order) price at which the order can be executed. When entering an investor’s order, the broker must key in the investor’s trading account which he has opened with the member company. The individual investor’s trading account is linked to his CDP account. See “—Clearing and Settlement.” The investor is not restricted to a single broker but may trade with any member of SGX-ST. Stocks are normally traded in board lots of 1,000 shares. Odd lot orders may be entered on a separate odd lot screen.

The SESOPS screen displays the quantities of stock on offer at the various prices on the buy and the sell side. Quantities over the full range of prices are displayed so that the broker has a full picture of demand for the stock. Only the aggregate demand at each price, and not quantities ordered by individual brokers, are displayed on the SESOPS screen. Price increments vary based on the price of the security. At a given price, matches are done on a first-come first-served basis. Thus, at a given price, an order which was received earlier will be matched before a bigger volume, but later placed, order at a given price. The Securities Market recently implemented pre-opening and closing procedures to ensure a more orderly opening and closing.

The SESOPS screen also includes other information about each stock, such as the day’s cumulative volume, the last dealt price, recent highs and lows and certain corporate information. A separate screen page is devoted to each of the Main Board, SESDAQ and CLOB International. Dealers can also view alternatively data for all stocks concurrently or focus on a specific portfolio of stocks. Information on securities on the Main Board, SESDAQ and CLOB International are on different screens. Buying-in and odd-lot orders are presented on separate screens.

Because of the amount of information available on SESOPS, the system also functions as an on-line source of reference accessible to market participants.

Member companies and brokers generally have a number of SESOPS terminals, each of which operates independently. As of June 30, 2000, there were 3,915 SESOPS terminals in operation. These terminals are rented from and maintained by the Securities Market.

Computerization was introduced to trading on the Securities Market in 1982, when electronic display boards replaced the former white boards. At that time, quotations were entered onto the display via terminals, but orders were still relayed to the clerks on the floor by phone. Orders were then executed according to a post system at the prices displayed on the electronic boards. In 1988, automated transmission of orders to the exchange floor was introduced and, in March 1989, the Securities Market became the first stock exchange in Asia to have a fully automated and floorless trading system.

The Securities Market is in the process of implementing an open API, in which brokers will be able to access the Securities Market trading platform using their own computer hardware in addition to our proprietary terminals. As a result, a broker’s clients will be able to directly access information from our trading system through an electronic link to the broker’s system. However, a client will still have to book trades through a participating broker, and thus a participating broker (and a clearing member) will still be responsible for the trade. The Securities Market expects that the open API will be in place by the second quarter 2001 and believes that it will help maximize volume and efficiency. See “Business—Strategy—Providing Open Access to Trading, Clearing and Settlement Systems.”

In addition to SESOPS, the Securities Market has developed or assisted in the development of a number of automated procedures to facilitate trading by retail investors in particular. These include the following:

Electronic Payment for Shares (“EPS”). With EPS, investors can electronically transfer funds from their designated bank account to their stockbroking company, and the stockbroking company can deposit the proceeds from the sale of securities directly into their designated bank accounts.

Electronic Share Application (“ESA”). With ESA, investors can use their ATM cards or the Internet to subscribe for securities at any of the participating banks’ automated teller machines or through their websites. Successful applicants will have the securities credited to their CDP securities account while applicants who are unsuccessful (in whole or in part) will have the application monies (in whole or in part) credited back into their bank accounts.

Clearing and Settlement

CDP clears and settles transactions executed on the Securities Market through its book-entry settlement system. It also acts as a central depository for securities. Investors either maintain securities accounts directly with CDP or maintain securities accounts in the CDP system via Depository Agents (“DAs”). CDP provides a securities sub-accounting system for DAs to maintain separate securities accounts within the CDP system for their clients. As of June 30, 2000, there were 1,080,358 CDP direct accounts and 59,599 DA sub-accounts. This account system creates opportunities to provide ancillary services such as depository functions as well as possible e-commerce activities.

Transactions in securities under the book-entry settlement system are reflected by the seller’s securities account being debited with the number of securities sold and the buyer’s account being credited with the number of securities acquired. No transfer stamp duty is payable for transactions settled on a book-entry basis.

The clearing fee paid by both buyer and seller for trades on the Securities Market is 0.05% of the transaction value, subject to a maximum of S\$100 per contract.

Clearing Process. Only Securities Market member companies are clearing members of CDP. The clearing process begins with trade matching which occurs immediately upon execution of the trade in SESOPS.

Once the trade is matched, CDP, through novation, becomes a counterparty to each side of the transaction, thus guaranteeing performance to the brokers on each side of the trade. By providing a counterparty guarantee to its clearing members, CDP is potentially exposed to financial losses should a clearing member default. The CDP’s Clearing Fund is designed to address this risk. See “—Clearing Fund; Default Risk.”

When applied to an insolvent member, the enforceability of certain of CDP’s rules could be limited by Singapore insolvency laws. See “Regulatory Oversight of the Exchanges—Effect of Insolvency Laws.”

Settlement Process. For money settlement, CDP nets all the money positions of each clearing member into a single payment for payment exchange. CDP will settle the net outstanding position with each clearing member on the due date via electronic funds transfers. The clearing member, not CDP, must then settle with its individual clients.

For securities settlement, CDP does not net an individual broker’s positions in a given security and instead settles each trade separately. CDP transfers securities to or from the individual account or DA account; however, securities pass through the clearing member’s account first. If an investor is unable to meet securities delivery obligations on the due date, the Securities Market will buy in and close off the outstanding position the next day and look to the member company and not the investor to settle the obligation. The clearing member will then settle with the investor.

For institutional investors, most trades are settled on a delivery-versus-payment (“DVP”) basis. For a sale trade, CDP ensures payment to the settlement agent (which may not be the clearing member) of the institutional investor against the delivery of securities. For a buy trade, CDP ensures the delivery of securities to the settlement agent against payment. CDP’s guarantee for DVP trades is supported by undertakings and bank guarantees given by the various settlement agents. A settlement agent has to make payment on behalf of its clients once a trade is affirmed. If the settlement agent is unable to make payment on the due date, its settlement bank is obliged to make payment on its behalf. In the unlikely event that the settlement bank is unable to make payment to CDP, the clearing bank is obliged to make payment on its behalf.

Clearing and Settlement Cycle. The Securities Market implemented a T+3 settlement cycle (trade day (T) plus three market days) on March 15, 2000.

Buy-in Market. When a selling investor does not meet delivery obligations, the Securities Market will step in and close off the outstanding position in the buying-in market the day following the due date. Buying-in will be made against the member company which has executed the failed trade.

On the day of buying-in, the Securities Market enters a list of securities to be bought-in into SESOPS at 11:15 a.m., naming the security, the number to be bought, the trade date and the price.

The price bid begins at two minimum bids above the closing price of the previous day, the current last transacted price or the current bid price, whichever is the highest. The Securities Market will seek recovery of any loss in closing off an outstanding position from the respective member company. The member company will in turn seek recovery from its client. Settlement for the buying-in market is trade day. The Securities Market retains the brokerage commission on the trade.

Clearing Fund; Default Risk. CDP has a clearing fund that is applied in the event a clearing member is unable to discharge its money obligations to CDP or if CDP suffers any loss as a result of liquidating a clearing member’s position. As of June 30, 2000 the clearing fund had a value of S\$164 million consisting of the following:

- S\$19 million in contributions (in the aggregate) from member firms;
- S\$25 million of CDP’s funds set aside for such purpose;
- S\$45 million in insurance coverage; and
- S\$75 million from a standby line of credit.

The clearing fund will be applied in the following order:

- (1) the defaulting member’s clearing fund contribution;
- (2) CDP’s funds set aside for such purpose;
- (3) the contributions made by all other clearing members on a pro rata basis in proportion to their market share;
- (4) the CDP insurance coverage; and
- (5) drawings under the standby line of credit.

In view of the implementation of the risk-based capital requirement in 2001, the adequacy of the clearing fund will be subject to review.

In addition, the Securities Market fidelity fund is available to compensate any person, who suffers pecuniary loss through the defalcation of a Securities Market member or any of its directors or employees. The fund’s assets were S\$30 million at June 30, 2000.

Linkages. CDP has also established direct and indirect linkages with foreign clearing and depository organizations such as The Depository Trust and Clearing Corporation, Japan Securities Clearing Corporation, Clearstream Luxembourg and Shenzhen Securities Registrars Company to facilitate settlement of cross-border trades.

Depository Services. CDP custodizes securities on behalf of its depositors. Securities eligible for deposit in the CDP system are immobilized and the physical certificates of immobilized instruments are kept safe with a CDP nominated custodian bank.

Depository services provided by CDP include:

- (i) Administration and Servicing of Securities Accounts
 - Periodic statements to accountholders on securities account balances
 - Statements to accountholders following entries made to the securities account
 - Deposit of securities
 - Transfer of securities
 - Withdrawal of securities
- (ii) Entitlement Processing and Corporate Actions
 - New issue and distribution service
 - Distribution of entitlements
 - Dividend crediting service
 - Redemption of debt securities
 - Provision for proxy voting

Our Derivatives Market

Overview

As of 1999, the Derivatives Market was the thirteenth most active futures exchange in the world as measured by contract volume. We believe that the Derivatives Market offers one of the broadest ranges of futures and options contracts in the Asia-Pacific region, covering a variety of interest rates, stock indices and energy products. Approximately 25.9 million contracts were traded on the Derivatives Market in the year ended December 31, 1999, and approximately 14.6 million contracts were traded in the six-month period ended June 30, 2000. The Derivatives Market had revenues of S\$49.1 million (US\$28.4 million) for the fiscal year ended June 30, 2000. The Derivatives Market was named “Derivatives Exchange of the Year” in 1989, 1992, 1993 and 1998 by the UK-based International Financing Review. The Derivatives Market was named Asia’s Best Derivatives Exchange for 1999 by The Asset magazine.

Established in September 1984, the Derivatives Market was the first financial futures exchange in Asia. The Derivatives Market was conceived in the early 1980s at a time when Singapore’s financial sector was already well developed and it became apparent that there was a demand for financial futures. Today, most of the Derivatives Market’s clearing and corporate members are well-known investment banking and financial services firms.

Revenue Sources

The Derivatives Market currently offers trading in 21 futures and options contracts. The Derivatives Market’s principal sources of revenue are clearing fees, computer rental fees, membership fees (which includes

trading privileges fees), and fees for provision of price information to third party distributors. The following table sets forth the Derivatives Market's revenue by source for the following periods:

<u>Revenue by Category</u>	<u>Twelve Months Ended June 30,</u>		
	<u>1998</u>	<u>1999</u>	<u>2000</u>
		(in millions)	
Clearing fees (net of rebates)	S\$37.2	S\$42.7	S\$35.8
Rental of computer terminals	0.1	0.5	1.1
Listing and membership fees	0.8	0.7	3.1
Price information fees	5.4	5.0	5.5
Other operating revenue	5.2	4.4	3.6
Total operating revenue	<u>S\$48.7</u>	<u>S\$53.3</u>	<u>S\$49.1</u>

Products and Product Development

The Derivatives Market offers futures and options contracts covering a variety of interest rates, stock indices and energy products. A futures contract is an agreement to purchase or sell a specific quantity of a financial instrument or commodity at a particular price on a stipulated future date. Our option contracts are options on futures contracts and therefore grant the holder a right, but not the obligation, in exchange for an agreed upon sum, to purchase from or sell to the grantor of the option the underlying futures contract at a particular price at any time prior to a stipulated date. If the holder does not exercise his or her right under the option contract prior to the stipulated date, the option expires and the agreed upon sum is forfeited. Futures and options can be settled in cash or by delivery of the underlying instrument or commodity. All futures and options contracts traded on the Derivatives Market are settled only in cash. The Derivatives Market trading is conducted primarily via the open outcry system and is complemented by an electronic system.

Interest Rate Products. Our interest rate product line includes our Eurodollar futures and options contracts. Eurodollar futures and options contracts are short term products and are among the most successful products in the derivatives industry. The notional value of Eurodollar futures contracts typically exceeds US\$500 billion on any given day and global open interest was approximately US\$3.2 trillion as of June 30, 2000. We also trade Euroyen LIBOR (for London Interbank Offered Rate) and Euroyen TIBOR (for Tokyo Interbank Offered Rate) futures and options contracts. Eurodollars are U.S. dollars on deposit in commercial banks outside the United States. The Eurodollar market has grown dramatically over the past thirty years as the dollar has become a world reserve currency. The interbank market for immediate (spot) and forward delivery of offshore dollars is deep and liquid, giving banks the ability to fund dollar loans to foreign importers without incurring currency exchange risks.

We also trade a short-term Singapore dollar interest rate futures contract and long-term Japanese government bond futures and options contracts.

Market users of our products are generally banks and other financial institutions that face interest rate risks from their lending and borrowing activities or their activities as dealers in OTC interest rate swaps and derivative products. Asset managers also use our products to lengthen the effective maturity of short-term investment assets by buying futures contracts, or shorten the effective maturity by selling futures.

Our interest rate products are also traded on other exchanges. In particular, our Eurodollar and Euroyen products are traded on the CME and our products are fungible with those traded on the other exchange. We have a cooperative arrangement with CME to facilitate 24-hour trading of Eurodollar and certain other contracts. See “—International Alliances and Trading Links.”

Stock Index Products. Our stock index product line consists of futures and options contracts based on Asian regional stock indices. Our most popular products are based on the Nikkei 225 Stock Index and the MSCI

Taiwan Stock Index. The Nikkei 225 Stock Index is a price weighted index of 225 stocks listed on the Tokyo Stock Exchange. The MSCI Taiwan Index is a market capitalization weighted index of 75 stocks representing a sampling of large, medium and small capitalized stocks with an approximately 60% coverage of the stocks listed on the Taiwan Stock Exchange.

The Derivatives Market also offers a MSCI Singapore stock index futures contract as well as a Straits Times Index futures contract, both of which are market capitalization-weighted indexes of Singapore-based and Singapore-listed companies. We also have products based on the Thailand and Hong Kong stock indices.

Stock index products give market users the ability to hedge their equity portfolios, to gain exposure efficiently to Asian stock markets without the execution and capital costs of implementing trading strategies in the underlying securities markets, to take advantage of spread opportunities between different sectors of the market, to enhance yields on an underlying portfolio and to diversify a portfolio.

Similar Nikkei Stock Index products are traded on the Osaka Securities Exchange as well as CME and products similar to the MSCI Taiwan product are traded on the Taiwan Futures Exchange.

We have launched a product based on the S&P CNX Nifty Index of the National Stock Exchange of India. See “—Product Development.”

Other Products. The Derivatives Market also has a Brent Crude Oil futures contract, which was launched in 1995 under a mutual offset arrangement with the International Petroleum Exchange.

Most Active Products. The following is a list of our most actively traded contracts and their principal terms:

Futures:

1. *Three-Month Eurodollar.* Three Month Eurodollar futures contracts are traded in contract sizes of US\$1 million. The contract months (that is, the due dates for delivery) are March, June, September and December (the “March quarterly months”) and the four nearest consecutive months other than March quarterly months (“serial months”). The contracts are listed on a 10 year cycle (that is, all March quarterly months falling within the next 10 years may be traded). Delivery is by cash settlement on the third Wednesday of the contract month. Trading of this instrument on the Derivatives Market began on September 7, 1984.

2. *Three-Month Euroyen TIBOR.* Three Month Euroyen TIBOR futures contracts are traded in contract sizes of ¥100 million. The contract months are March quarterly months on a five-year cycle. Delivery is by cash settlement on the third Wednesday of the contract month. Trading of this instrument on the Derivatives Market began on October 27, 1989.

3. *Nikkei 225 Stock Index.* Nikkei 225 Stock Index futures contracts are traded in contract sizes of ¥500 times the Nikkei 225 Stock Index futures contract price. The contract months are the five nearest March quarterly months. Delivery is by cash settlement based on the final settlement price determined on the second Friday of each month. Trading of this instrument on the Derivatives Market began on September 3, 1986.

4. *MSCI Taiwan Stock Index.* MSCI Taiwan Stock Index futures contracts are traded in contract sizes of US\$100 times the MSCI Taiwan Stock Index futures contract price. The contract months are the four nearest March quarterly contract months with two nearest serial months. Settlement is by cash on the second last business day of the contract month. Trading of this instrument on the Derivatives Market began on January 9, 1997.

5. *10-Year Japanese Government Bond.* 10-Year Japanese Government Bond futures contracts are traded in contract sizes of ¥10 million notional face value with a 6% coupon. The contract months are the

five nearest March quarterly months. Settlement is by cash on the Tokyo Stock Exchange's last trading day for Japanese Government Bond futures in the contract month. Trading of this instrument on the Derivatives Market began on October 1, 1993.

Options:

6. *Three Month Eurodollar Futures.* Options on Three Month Eurodollar futures contracts trade in contract sizes of one Three Month Eurodollar futures contract. The contract months are the four nearest March quarterly months on a one-year cycle. The option contracts expire on the second London business day preceding the third Wednesday of the contract month. Trading of this instrument on the Derivatives Market began on September 25, 1987.

7. *Three Month Euroyen TIBOR Futures.* Options on Three Month Euroyen TIBOR futures contracts trade in contract sizes of one Three Month Euroyen TIBOR futures contract. The contract months are March quarterly months listed on a two-year cycle. The option contracts expire on the second business day immediately preceding the third Wednesday of the contract month. Trading of this instrument on the Derivatives Market began on June 19, 1990.

8. *Nikkei 225 Stock Index Futures.* Options on Nikkei 225 Stock Index Futures trade in a contract size of one Nikkei 225 Stock Index futures contract. The contract months are five nearest serial months and five nearest March quarterly months. The option contracts expire on the day before the second Friday of the contract month. Trading of this instrument on the Derivatives Market began on March 19, 1992.

9. *MSCI Taiwan Stock Index Futures.* Options on MSCI Taiwan Stock Index futures contracts trade in a contract size of one MSCI Taiwan Stock Index futures contract. The contract months are the four nearest March quarterly months and the two nearest serial months. The option contracts expire on the second last business day of the contract month. Trading of this instrument on the Derivatives Market began on January 9, 1997.

10. *10-Year Japanese Government Bond Futures.* Options on Japanese Government Bond futures contracts trade in contract sizes of one 10-Year Japanese Government Bond futures contract. The contract months are the two nearest serial months and two nearest March quarterly months. The option contracts expire one business day immediately preceding the Tokyo Stock Exchange's last trading day for the contract month. Trading of this instrument on the Derivatives Market began on May 11, 1994.

The Derivatives Market's top futures contracts—Eurodollar Futures, Euroyen TIBOR Futures, Nikkei 225 and MSCI Taiwan Stock Index—represent over 90% of its volume. As with stock exchanges, liquidity is also a significant measure of the attractiveness and efficiency of derivatives markets and is generally measured by the level of open contract interest (that is, the number of contracts that have not been exercised, closed out or allowed to expire). The following table sets forth the total number of futures contracts traded on the Derivatives Market in the last ten years and in the six months ended June 30, 1999 and 2000 and the open interest for the same periods.

<u>Year</u>	<u>Exchange Volume</u> (number of contracts)	<u>Average Daily Volume</u> (number of contracts)	<u>Open Interest</u> (number of contracts)
1990	5,720,610	22,791	67,031
1991	6,068,044	24,175	130,843
1992	12,180,174	49,065	255,533
1993	15,729,787	63,090	491,697
1994	24,060,274	94,776	749,976
1995	24,251,339	95,590	598,930
1996	22,568,545	87,859	650,969
1997	24,090,285	94,036	861,816
1998	27,861,162	108,961	688,959
1999	25,863,140	101,502	839,584
1999 (first half)	13,330,898	106,514	988,588
2000 (first half)	14,644,006	115,376	761,461

Product Development. The Derivatives Market has sought to be innovative in its product development since its inception, when it offered Asia's first Eurodollar futures. In 1986, the Derivatives Market became the first futures exchange to offer Japanese stock index futures—the Nikkei 225 Stock Index Futures—and in 1989 the Derivatives Market launched Asia's first energy futures—the High Sulphur Fuel Oil Contract. The Derivatives Market was also the world's first futures exchange to introduce an options contract on Euroyen futures.

The Derivatives Market, in cooperation with the National Stock Exchange of India, has introduced a new futures contract that is based on the S&P CNX Nifty of the National Stock Exchange of India (the “Nifty Index”). The Nifty Index is a market capitalization weighted index of 50 Indian stocks listed on the National Stock Exchange of India. The Derivatives Market's contract is traded in contract sizes of US\$20 times the Nifty Index. The contract months are two nearest serial months and four nearest quarterly months. Settlement is by cash based on the final settlement price on the last Thursday of the month. The contract began trading on September 25, 2000. Our arrangement with the National Stock Exchange of India is exclusive for a minimum of five years. We believe this product will be an efficient means for market participants who wish to gain exposure to Indian equities without the execution and capital costs of trading in the cash market will find our product an efficient mechanism to do so. The Derivatives Market believes the development of the Nifty Index contract exemplifies the strengths of the Derivatives Market in ascertaining a derivatives opportunity in the region that is not specific to Singapore and developing a product to take advantage of that opportunity.

International Alliances and Trading Links

At its inception in 1984, the Derivatives Market co-pioneered the world's first mutual offset trading system (“MOS”) with CME. The Derivatives Market-CME MOS now enables Eurodollar, Euroyen TIBOR and LIBOR, as well as Japanese Government Bond futures to be traded on one exchange and then transferred to or liquidated at the other exchange. We believe this is the most successful mutual offset arrangement in the futures industry.

Normally, one futures exchange operates as a separate entity from the others in the world, even if the contracts traded in two exchanges are identical. A futures trader who wishes to cover his position in one contract after his local exchange has closed may do so if he can find an exchange in a different time zone with an equivalent contract. However, fresh contracts must be taken out on this second exchange, and the requisite commission, clearing charges and margin paid. These further contracts can only be closed out on the second exchange, necessitating more administrative effort. If a hedging strategy is intended, there may be a delay of some hours before the second leg of the strategy can be put in place, and if the contracts on the two exchanges do not exactly match, as is often the case, further risks arise.

We believe that MOS provides an efficient solution for traders who wish to trade outside their own exchange's time zone. Under the Derivatives Market-CME arrangement, a contract opened on one exchange can be closed out on the other; instead of having to operate in two different markets, the trader is effectively presented with a single extended market, which greatly reduces his costs and risks. The Derivatives Market brokers have employees that work during the night to trade for customers in Chicago. A trader wishing to utilize the MOS facilities notifies his broker of this intention when he places the order for the contract. In the case of a mutual offset transaction, the clearing houses of the two exchanges act as each other's counterparty. In September 2000, the Derivatives Market revamped its CME MOS system to allow for real-time allocation of trades and automatic acceptance of CME trades.

The Derivatives Market is a participant in the largest international alliance among derivatives exchanges. The Derivatives Market, CME and ParisBourse SBF SA in France are the founding members of the GLOBEX Alliance, which allows each alliance member to access and directly trade each other member's electronically traded products. Since its inception in 1999, the GLOBEX Alliance has expanded to include the Montreal Exchange, the Bolsa de Mercadorias & Futuros in Sao Paulo and MEFF (The Spanish Futures and Options Exchange). We hope to expand this alliance further to reach additional markets.

Through a MOS between the Derivatives Market and the International Petroleum Exchange (“IPE”) of London, Brent Crude Oil futures contracts can be traded continuously for about 18 hours beginning with the opening of the business day in Singapore through the close of business in New York, making this one of the world’s first fungible crude oil futures contracts. To facilitate this arrangement, the Derivatives Market has an agreement with the London Clearing House for settlement of contracts allocated between the two markets. This relationship provides a foundation for future cooperation on clearing of derivatives products.

In addition to CME, the GLOBEX Alliance and IPE, the Derivatives Market has entered into co-operative relationships with other exchanges. Although these relationships do not entail mutual offset systems, they have led to some standardized terms which facilitate trading outside of one exchange. Today, the Derivatives Market’s Euroyen and Nikkei 225 futures contracts have the same final settlement price as that of similar contracts traded on the Tokyo International Financial Futures Exchange and Osaka Securities Exchange.

Through these alliances, partnerships and relationships, we are able to offer our customers trading efficiencies by interconnecting the trading platforms and networks of each exchange and by harmonizing trading rules and interfaces. The cost of maintaining positions at the Derivatives Market could potentially be reduced when cross-margining between designated products is permitted through these arrangements.

Members

Prior to the Merger, the Derivatives Market was owned by the members who owned seats on the exchange. The Derivatives Market is currently revising its membership categories and requirements to reflect its demutualized status. It is no longer necessary to purchase a “seat”; instead, members must pay an access fee for trading privileges. The Derivatives Market also now has separate categories for clearing as well as trading members. In addition, as of July 1, 2000, members may apply for dual membership: a single legal entity can be a clearing member of both the Securities and Derivatives Market or a clearing member of the Securities Market and a non-clearing member of the Derivatives Market.

As of June 2000, there were 617 members, comprised of 30 corporate clearing members, 17 corporate non-clearing members, 14 commercial associate members and 556 individual non-clearing members. There were also over 500 SGX-ST remisiers and dealers who have access to the SGX-DT trading system to trade equity index products.

Corporate clearing members must be Singapore companies or branches of reputable foreign corporations. Corporate clearing members have full trading rights on the floor and can clear trades and accept customer business. A minimum of S\$8 million of each of paid-up capital and shareholders’ funds must be maintained. In addition, each corporate clearing member must maintain at least S\$5 million in adjusted net capital, and if the corporate clearing member’s adjusted net capital is less than S\$8 million, the member must post a letter of credit for S\$8 million. The corporate clearing member must also make a security deposit based on the higher of US\$250,000 or 2.5% of the corporate clearing member’s average monthly maintenance margins. In addition, all clearing members who are futures brokers are required to maintain adjusted net capital of not less than the higher of S\$5 million or the sum of (x) 2% of customer funds in excess of maintenance margins and (y) 6% of the maintenance margin of customer and non-customer accounts. Notwithstanding the above, a clearing member may post a letter of credit for up to 50% of the adjusted net capital requirement in lieu of cash and cash equivalents. Clearing members who are also Securities Market clearing members must maintain adjusted net capital and paid up capital of at least S\$15 million.

Corporate non-clearing members have full trading rights and may accept customer business. However, they must clear trades through a corporate clearing member. The capital requirements for non-clearing members are lower: paid-up capital and shareholders’ funds must be at least S\$5 million each (or S\$500,000 each for members trading for their own account or the accounts of related companies only), and adjusted net capital of not less than the higher of S\$3 million or the sum of (x) 2% of customer funds in excess of maintenance margins and (y) 6% of the maintenance margin of customer and non-customer accounts. (This amount is S\$1 million for members

trading for their own account or the accounts of related companies only, provided that a member may post a letter of credit for S\$1 million if it has adjusted net capital of S\$500,000).

Holders of trading permits are given access to the trading floor or the SGX Electronic Trading System (“SGX ETS”). There are three categories of permits available. Two of the categories of permits allow the holder to trade one of the following contract groups on the trading floor: all contracts or less active contracts and new contracts. The rental is S\$1,250 and S\$250 per month, respectively. The third category of permits allows the holder to trade via SGX ETS in all the contracts listed on SGX ETS. The rental is S\$100 per month for individual members and S\$250 per month for corporate members.

There are two types of commercial associate members: proprietary trading members, who trade for their own account or the accounts of related companies only and introducing brokers, who can accept customer business. A proprietary trading member must maintain paid-up capital and shareholders’ funds of S\$500,000 and positive adjusted net capital. An introducing broker must maintain paid-up capital and shareholders’ funds of S\$1 million and adjusted net capital of S\$300,000. Like corporate non-clearing members, commercial associate members must clear their trades through a corporate clearing member. But while corporate non-clearing members can trade all contracts listed on the Derivatives Market for their customers, commercial associate members can trade only those contracts designated under the rules of the Derivatives Market.

Trading Systems

Trading on the Derivatives Market is conducted primarily via the open outcry trading system and is complemented by an electronic system, SGX ETS. Open outcry trading represented over 95% of total volume for the six months ended June 30, 2000. We introduced an automated trading system on March 15, 1996, and our current system, SGX ETS, was introduced on October 8, 1999.

Open Outcry. In the open outcry trading system, orders received by the broker in his office are relayed to the floor trader by phone; the orders are written on slips, time-stamped, and then taken by a runner to the pits, where they are executed. A trading slip is then completed by both buyer and seller, returned to the member’s booth and time-stamped.

The buyer’s and the seller’s slips are entered separately into the SGX Trade Allocation and Registration (“STAR”) system, which is provided to the clearing members on the trading floor. Once entered into the STAR terminals, the trade details are automatically transmitted to the matching engine in the STAR system which will then match the trade almost instantaneously. Through this system, out-trades (that is, trades that have no matching counter-trade) are quickly identified, thereby limiting losses and reducing the possibility of default. Matched trades are displayed on the screens of the STAR terminals. Members check the screens and notify the exchange of amendments; any unmatched trades must be resolved by the end of the trading day or the trade will be automatically canceled. At the end of the trading day, matched trades and unmatched ones are printed for members’ reference.

Information from the STAR system is, through the Derivatives Market’s Trade Dissemination System (“TDS”), automatically transmitted to the back offices of participating brokers, allowing them to perform real-time risk management and daily settlement. In addition, observers stationed in each trading pit enter the transaction price of each completed trade into a terminal connected to the Derivatives Market’s Price Reporting and Dissemination System (“PRDS”), which immediately transmits the data to outside data reporting services.

SGX ETS. SGX ETS is a complete, integrated electronic trading system which matches trades on a strict price/time priority algorithm. SGX ETS is based on the Nouveau Systeme de Cotation (“NSC”) developed and licensed to us by ParisBourse SBF SA. NSC is similar to the GLOBEX2 system used by CME as well as ParisBourse SA and 16 other exchanges. SGX ETS maintains an electronic, centralized order book and trade execution algorithm for futures and options contracts and allows users to directly enter orders into the order book. It is fully integrated with all of the Derivatives Market’s current operations. All of our major contracts other than Eurodollar are traded on SGX ETS either in parallel or after hours. SGX ETS has recently experienced some disruptions which have temporarily affected the electronic trading of certain contracts.

Alliance with Bloomberg LP. Recently, the Derivatives Market has formed an alliance with Bloomberg LP, an international data vendor, to create a gateway between the Bloomberg global network and the Derivatives Market electronic platform. Slated to be operational by October of this year, the gateway will allow over 250,000 investment professionals using 130,000 Bloomberg desktop terminals around the world fast and easy access into the Derivatives Market's central order book. We believe this will make the Derivatives Market the first Asian exchange to offer electronic-based derivatives trading on a global front.

Alliances with other Independent Software Vendors ("ISVs"). We are also concurrently working with several major ISVs to enable their front-end terminals to have access to the Derivatives Market's central order book. GL Trade, a leading developer of interactive software founded by ParisBourse SBF SA, has several terminals which allow overseas access to SGX ETS and we are in discussions with other ISVs such as PatSystems and Easyscreen which plan to make such access available later this year.

Clearing and Settlement

Overview. As with securities trading, the Derivatives Market performs its own clearing and settlement function and guarantees performance of all matched transactions. The clearing and settlement function for derivatives trading is performed by a separate subsidiary called SGX-DC. A primary difference from the Securities Market is the use of margin and mark-to-market techniques to mitigate the exposure of market participants and minimize the risk of default. The Derivatives Market administers the collection of margins from members and oversees the transfer of funds on a daily basis to settle all losses and gains. It also coordinates the delivery process for all contracts at the time of maturity.

Clearing. Clearing in the Derivatives Market means that all the buy and sell transactions are matched to ensure that every single transaction is accounted for and that the trade details are correctly recorded. As is the case with securities trading, the Derivatives Market steps into every cleared trade and substitutes itself for the counterparty in each trade. Thus, brokers and their customers look to the Derivatives Market for the performance of the contract and not to the other party to the trade. This means that the Derivatives Market participants do not need to consider the credit risk nor ascertain the reliability of the counterparty to any trade. The Derivatives Market holds each corporate clearing member accountable for every trade that the latter has cleared whether such trades are executed by the corporate clearing member itself or by any other Derivatives Market member.

Requirements of Corporate Clearing Members. Corporate clearing members clear the Derivatives Market trades and collectively under the Derivatives Market Clearing System, guarantee all matched trades executed at the Derivatives Market. Because this responsibility may result in the contribution of funds in the event of a default, the financial stability of these members is important to the financial condition of the Derivatives Market. We address default risk through the clearing fund. See "—Default Risk; Clearing Fund."

Margin System. The Derivatives Market uses the Standard Portfolio Analysis of Risk ("SPAN") margin system, a universally-accepted margin system used by over 30 other exchanges and clearing organizations worldwide. The SPAN system is designed to evaluate the overall risk in a portfolio and accurately match margins to risk. The system is programmed to simulate the reaction of a portfolio to a range of possible market changes and then cover the largest reasonable overnight loss. All the Derivatives Market contracts are margined on the basis of SPAN.

The Derivatives Market margins all open positions on a gross and not on a net basis, i.e. offsetting long and short positions of different customers of a clearing member do not result in netting of risk and lower margin requirements for that clearing member. The Derivatives Market margins clearing members separately for house positions and customers' positions.

To determine margin requirements for particular contracts, the Derivatives Market conducts volatility studies based on historical price movements. The initial margin is a good faith deposit that all clearing members require their customers to put up for all futures and short option positions (long option positions require no margin but

they must be paid for in full). The maintenance margin, which is set at a level lower than the initial margin, reflects the minimum amount of protection against potential losses for each open position.

The Derivatives Market members must ensure that both initial and maintenance margins are either on deposit or are forthcoming within a reasonable time for both existing as well as new trades. While these members may mandate higher margin requirements for their customers, they may not accept lower margins than that prescribed by the Derivatives Market. If within a reasonable time a customer fails to satisfy a margin call, the member may close out the customer's position or sufficient contracts within the position to restore the customer's account to the required margin status.

Margins with the Derivatives Market must be placed in the form of cash, bank letters of credit, U.S. Treasury securities or Singapore government bonds. Corporate members, however, may also accept from their customers margins in the form of CDs, selected securities, gold and gold certificates. The Derivatives Market publishes a list of such securities to guide members in this matter. The Derivatives Market intends to expand the list of acceptable margin securities to include shares of Singapore companies and Japanese government bonds.

Mark-to-Market. All contracts on the Derivatives Market are settled every day using the mark-to-market system, whereby all trades and open positions are revalued daily and settled at the end of each trading day using the Derivatives Market settlement prices. We call for payments from all clearing members whose positions lose value, and pay clearing members whose positions have gained value. This daily accounting procedure protects the financial integrity of the Derivatives Market and helps us identify more quickly any clearing member that may not be able to satisfy its financial obligations before those obligations become exceptionally large. As an additional safeguard, the Derivatives Market also carries out intra-day mark-to-market twice per day by collecting margin at these times from corporate clearing members whose positions show losses when compared to the Derivatives Market's interim settlement prices. These intra-day cycles significantly reduce the overnight exposure of the Derivatives Market.

The Derivatives Market will implement a new clearing system called Clearing Operations and Risk Evaluation System ("CORE") by the end of 2000 which will allow for near real-time revaluation of trades and will permit more efficient use of margin, which can in turn make it easier for clearing members to meet funding requirements. CORE will also disseminate electronic clearing information to enable clearing members to implement straight-through processing for trade settlement.

Default Risk; Clearing Fund. If a corporate clearing member fails to honor an obligation to the Derivatives Market, the Derivatives Market may take the following steps: (i) take control of or liquidate the outstanding positions carried by the defaulting clearing member; (ii) apply margin deposits placed by the defaulting corporate clearing member with the Derivatives Market to satisfy the obligations; (iii) apply the defaulting corporate clearing member's security deposit and letters of credit (if any) held by the Derivatives Market in lieu of adjusted net capital; and (iv) attach all other assets and securities of the member available to the Derivatives Market.

In the event that the defaulting clearing member's assets above are insufficient to cover the member's obligations to the Derivatives Market, the Derivatives Market will utilize the following financial resources in the order listed below to satisfy such obligations:

- (1) such surplus funds of the Derivatives Market which the Board determines are in excess of funds necessary for normal operations—currently, these funds total S\$68 million;
- (2) a standby letter of credit of S\$68 million obtained by SGX for the benefit of SGX-DC;
- (3) Compensation Fund—up to one half of this Fund, which totalled S\$30 million as of June 30, 2000, can be used for this purpose; the remainder is available for compensation of losses incurred by third parties as a result of member defaults;

(4) security deposits in equal amounts from each (non-defaulting) clearing member; and

(5) further assessments on clearing members based on a formula that takes into consideration their capital requirements and share of volume and open interest on the exchange. Members can cap the assessable amount at S\$8 million by posting a letter of credit in that amount with the Derivatives Market.

The use of the non-defaulting clearing members' assets in (4) and (5) above to discharge a defaulting clearing member's liabilities to the Derivatives Market is referred to as the "Common Bond System." When applied to an insolvent member, the enforceability of certain of the Derivatives Market's rules could be limited by Singapore insolvency laws. See "Regulatory Oversight of the Exchanges—Effect of Insolvency Laws."

In addition, the Derivatives Market fidelity fund is available to compensate any person, other than an accredited investor, who suffers pecuniary loss through the default of a Derivatives Market member. The fund's assets were S\$20 million at June 30, 2000.

The Barings Incident. In February 1995, Barings Futures (Singapore) Pte Ltd failed to meet a margin call when cumulative losses in an unauthorized account set up by their derivatives operations manager, Nicholas Leeson, amounted to ¥135.5 billion (US\$1.3 billion). Although Barings' margin was enough to cover its obligations to the Derivatives Market, Barings plc, the parent company, was unable to continue as a going concern and, along with certain of its subsidiaries, was put into administration. After this incident, SIMEX implemented several measures to increase its market supervision and risk management, including the appointment of an international advisory panel to recommend best practices as well as an expert to serve as a consultant to advise on clearing, risk management and settlement operations. See "—Risk Management and Regulation."

The IT Solutions Division

Prior to the Merger, SCCS provided securities brokers with processing services related to back-office functions, as well as the printing of trade contracts. A separate subsidiary of SES also sold software solutions to brokers for the capture, management and routing of on-line trades.

In connection with the Merger, the IT Solutions Division of SGX was formed to consolidate the provision of securities processing and related IT services to brokers and other market participants. The strategy of the division is to leverage and extend its existing market, technology and process expertise to position itself as a significant capital markets service provider in the rapidly evolving Asian capital markets infrastructure. To this end, the division's core activities include the following:

IT processing services for securities trades. The IT Solutions Division currently operates the back-office processing system for all members of the Securities Market. The system assists brokers in trade confirmation, contract generation and trade settlement for both retail and institutional trades. While the processing service is principally designed for trades in securities listed on the Securities Market, a more limited service is also available for processing foreign securities. In either case, brokers are charged a transaction-based service fee that depends on the volume of contracts processed.

Technology licensing. The Division licenses software to some Securities Market members so that they can establish and operate their own on-line trading systems. Such systems capture orders through on-line channels such as the Internet and telephone, apply the brokers' order management checks and route orders to the different securities markets. We believe that the latter—a regional routing service—could appeal to brokers, irrespective of whether they are members of SGX. While such systems could route trades away from SGX exchanges, we believe that our long-term interests are best served by mechanisms that increase trading access and improve price discovery.

An effort is underway to centrally operate an on-line trading solution where brokers could enjoy scale economies in technology enhancements and on-going operations. Notably, this initiative is a key element in an integrated trading, clearing and settlement solution for securities processing.

The Division also develops other custom-built applications to suit specific front or back-office needs of brokers.

Facilitate outsourcing of selected back-office functions. Securities Market members currently outsource the printing of trade contract and confirmation statements to the IT Solutions Division. In the future, the Division intends to contract with one or more professional printing companies to undertake, with the Division's supervision, the full range of statement printing, handling and mailing services for brokers.

Development of new e-commerce services for capital markets. We believe the IT Solutions Division is positioned to leverage its expertise into a broad spectrum of opportunities in the high-growth e-markets infrastructure. We are currently evaluating new business-to-consumer and business-to-business e-finance services, such as financial information aggregation, to advance our strategy of offering end-to-end processing and IT services to a wide range of capital markets participants. We expect that most of our activities in this area would be undertaken through partnerships with information technology, e-commerce or other companies.

Risk Management and Regulation

After the Merger, the departments in each exchange that oversaw internal regulation and maintenance of market integrity were combined into a new Risk Management and Regulation Division that monitors risk management and compliance for both exchanges. The goal of the Division is to provide sound, fair and transparent markets which protect investors' interests. SGX seeks to accomplish this goal through a regulatory framework based on strict admission standards and continued regulation and monitoring of member companies and strict regulation of the marketplace. In order to provide a more integrated risk management and regulation mechanism, SGX plans to introduce risk-based capital requirements and allow for cross margining, both of which will permit members to benefit from the merger of the two exchanges. This will require the MAS to adopt changes to certain existing regulations.

Participant Supervision. The Division regularly monitors our members to ensure that they comply with capital requirements and are professional in their practice and dealings with customers. The Division conducts regular audits to ensure that all rules and regulations are complied with and that comprehensive internal controls are in place. The Division focuses on capital adequacy, risk exposure monitoring and credit control. Member companies must make financial reports to the Division on a weekly and monthly basis. Member companies are also required to submit their audited accounts to the Division within two months of their financial year-end. In addition, the Division conducts annual on-site inspections of each corporate member.

Market Surveillance and Enforcement. The Division conducts surveillance of securities trading to detect improper and unlawful forms of trading, including insider trading and market manipulation, and trading that contravenes each market's rules and bye-laws. This is done daily by monitoring of unusual changes in listed securities' trading price and volume as well as other market indicators. We are in the process of implementing a new automated market surveillance system that we expect to be operational by June 2001 for the Securities Market. We may also implement an automated surveillance system for the Derivatives Market. Currently, for the Derivatives Market, the Division monitors both the open outcry and SGX ETS systems to detect irregularities or possible misconduct. In the case of the open outcry system, this is done through compliance officers stationed on the trading floor as well as through video-camera and tape-recorder surveillance.

The Division investigates alleged misconduct by members, their directors, employees and trading representatives. It also investigates and resolves complaints by investors against members and their trading representatives. When there are breaches of either market's rules or bye-laws, the Division initiates disciplinary proceedings before the relevant disciplinary committee, which may, subject to the appropriate procedures,

reprimand, fine, suspend or expel the violating company, member or trading representative. The Division also adjudicates disputes among SGX-ST members in respect of requests for cancellation of trades.

Risk Management. The Division monitors the financial risk exposures of CDP and the derivatives clearinghouse to their respective members. It also monitors derivatives' members' exposure to their customers.

Issuer Regulation. The Division is responsible for reviewing listing applications, prospectuses, offering memorandums and shareholders circulars for compliance and adequacy of disclosures, forming new regulatory rules and checking compliance with continuing listing and disclosure obligations.

Competition

We face intense competition from other securities and futures exchanges, both regionally and globally, as well as ECNs. This competition is likely to intensify in the near future, especially as technological advances create pressure toward faster trading and global or regional markets.

Our exchanges, particularly the Securities Market, are smaller than some other exchanges in Asia, and both exchanges are significantly smaller than a large number of exchanges in Europe and North America. For example, the Securities Market had 399 listed entities (including 45 foreign entities) with a market capitalization for domestic companies of S\$329.9 billion (US\$198.0 billion) at December 31, 1999, whereas at the same date the NYSE had 3,025 listed entities (including 406 foreign entities) and a market capitalization for domestic companies of US\$11,437.6 billion, the Tokyo Stock Exchange had 1,935 listed entities (including 43 foreign entities) and a market capitalization for domestic companies of ¥456,027 billion (US\$4,455.3 billion) and the HKEx had 708 listed entities (including 13 foreign entities) and a market capitalization for domestic companies of HK\$4,734.8 billion (US\$609.1 billion). For comparison purposes, all such data is from the FIBV. The data with respect to market capitalization for the Securities Market differs slightly from our own data. The Derivatives Market traded 25.9 million contracts in 1999, whereas Eurex traded 314 million contracts, CBOT traded 254.6 million contracts, CME traded 200.7 million contracts, KSE traded 97.1 million contracts and SFE traded 29.8 million contracts during the same period. Although there are avenues of cooperation among exchanges, each exchange faces pressure to be the securities or derivatives exchange of choice. This can lead to competition for listings, participants and new products, which may have an adverse impact on our results of operations and businesses.

There is a trend among exchanges to form alliances, as well as pressure to consolidate. For example, NASDAQ has formed an alliance with HKEx which includes co-listing and information sharing arrangements. Eurex was formed in 1998 by the combination of the German derivatives exchange (DTB) and the Swiss derivatives exchange (SOFFEX). The ParisBourse SBF SA, the Amsterdam Exchanges N.V. and the Brussels Exchanges Limited have announced plans to merge to form Euronext. The London Stock Exchange and the Deutsche Börse had announced plans to merge to form iX—international exchanges plc, but this proposal was recently terminated.

In addition, the Nasdaq Stock Market and NYSE each appears to be seeking to form a global alliance with other exchanges. While we have had discussions with both exchanges and have an alliance with ASX, we are not currently a member of any global securities alliance. Although the global alliances are still at the discussion stage, the consolidation and alliance activity among exchanges may increase and may result in strengthening the competitive position of certain regional exchanges to the detriment of others.

There is a similar trend in the derivatives markets to form global alliances. We are a founding member of the GLOBEX Alliance but competing alliances such as the Eurex—Chicago Board of Trade alliance may be more successful in attracting new partners.

We also face intense competition from new trading technologies that threaten to diminish the role of traditional securities exchanges, and particularly smaller exchanges, in the global securities markets. The development of alternative trading systems, such as Island, Instinet and Archipelago, are increasingly gaining

ground in institutional trading and offering an effective bypass to traditional exchanges. The government of Singapore recently granted one ECN exempt stock market status to offer institutional investors an electronic trading platform for Asian bonds. In addition, third-party clearers who service ECNs could displace clearinghouses. These developments may in turn reduce margins for traditional exchanges and increase the importance of scale efficiencies.

Properties

The Securities Market and the IT Solutions Division lease approximately 122,486 square feet of space at 20 Cecil Street, Singapore Exchange, Singapore 049705. The lease expires in part in May 2003, and in part in May 2006. The Derivatives Market and the Risk Management Division leases approximately 39,324 square feet of space at 1 Raffles Place, OUB Centre, Singapore 048616. The lease expires in May 2003.

We also own a building located at 18 New Industrial Road, which we use as a warehouse and a disaster recovery center.

We have purchased 13 floors of a 29-story building complex which is under construction and is located at 2 Shenton Way, Unity Tower 1, Singapore 068804 and 4 Shenton Way, Unity Tower 2, Singapore 068807. It is our intent to move most of our operations to such location. We have purchased the property from Industrial & Commercial Property (S) Pte Ltd which has its address at No. 80 Raffles Place, UOB Plaza, Singapore 048624 for the aggregate cash consideration of S\$296.7 million, of which S\$180.2 million has been paid as of September 30, 2000.

We believe that our facilities are adequate for our current operations and that additional space can be obtained if needed.

Employees

As of July 31, 2000, SGX had a staff of 729. Approximately 40% of our employees (consisting of most of our clerical and non-executive employees) are covered by a collective bargaining agreement with the Singapore Manual & Mercantile Workers' Union. The agreement is due to expire on June 30, 2001. We consider our relations with our employees to be good. We have never had a work stoppage.

For the year ended June 30, 2000, we had a staff of 718. For the years ended June 30, 1999 and June 30, 1998, SES, SCCS and SIMEX had a combined staff of 653 and 659, respectively.

Legal Proceedings

We are party to legal proceedings from time to time in the ordinary course of business. We do not believe there is any pending or threatened proceeding that is likely to have a material adverse effect on our financial condition, results of operations, business or prospects.

THE MERGER

General

The demutualization and merger of SES and SIMEX was effected pursuant to a statute passed for that purpose, The Exchanges (Demutualisation and Merger) Act 1999, Act No. 27 of 1999 (the “Merger Act”).

Prior to the Merger, SES and SIMEX were independent exchanges. Each was owned by its members, which were companies carrying on brokerage businesses in transactions on such exchange. The share capital of SES comprised 34 shares, each held by a member company of SES, while that of SIMEX comprised 40 shares, each held by a corporate clearing member of SIMEX. A third entity referred to in the Merger Act, SCCS, was owned by the respective shareholders of SES and by SES. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The terms and conditions of the demutualization of each exchange and the merger were fixed by the Merger Act and did not involve approval by the members.

Pursuant to the Merger Act, the demutualization and merger was effected as follows:

(a) on December 1, 1999, the respective share capital of each of SES, SIMEX and SCCS was deemed to have been cancelled and replaced by new shares in SES, SIMEX and SCCS which were held by a newly formed company, SGX. This had the result of substituting SGX in place of the former shareholders of SES, SIMEX and SCCS; and

(b) on that same date, SGX allotted and issued to each former shareholder of SES and SIMEX, and to each holder of a SIMEX seat (as the existing SIMEX seats were to be abolished upon the Merger), shares in the capital of SGX, which shares were deemed under the Merger Act to have been issued as fully paid up. SGX did not issue any shares to the former shareholders of SCCS in respect of their cancelled SCCS shares.

For the purpose of determining the number of SGX shares to which each such former shareholder or SIMEX seatholder was entitled, the Merger Act provided as follows:

(i) a value of S\$6,000,000 was attributed to each SES share (except for one SES share held by a shareholder that was in involuntary liquidation);

(ii) a value of S\$115,000 was attributed to each SIMEX share; and

(iii) a value of S\$170,000 was attributed to each SIMEX seat.

The Merger Act also provided for the Minister to determine the value attributable to the new shares of SGX. This value was determined to be S\$5,000 for purposes of the share issuances on December 1, 1999.

The result of these valuations was that on December 1, 1999:

(I) SES shareholders received, in substitution for each SES share held as of December 1, 1999, 1,200 SGX shares;

(II) SIMEX shareholders received, in substitution for each SIMEX share held as of December 1, 1999, 23 SGX shares; and

(III) SIMEX seatholders received, in substitution for each SIMEX seat held as of December 1, 1999, 34 SGX shares.

As part of the Merger, certain assets of SES, SIMEX and SCCS were transferred to SGX on December 1, 1999, consisting primarily of the reserves previously held by SES, SIMEX and SCCS. SES (now renamed as Singapore Exchange Securities Trading Limited, or “SGX-ST”) and SIMEX (now renamed as Singapore Exchange Derivatives Trading Limited, or “SGX-DT”) continue to conduct their respective businesses as a securities exchange and a derivatives exchange after the Merger, but with a common management team led by

the chief executive officer of SGX. Each of SGX-ST and SGX-DT has amended its Bye-laws and Rules to effect the consequential changes necessitated by the demutualization. As for SCCS, its operations were transferred to CDP and SGX-ITS as part of the Merger (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations”). SCCS is now a wholly owned subsidiary of SGX and is dormant.

Offering

General. The Merger Act also contains provisions for a subsequent offering and listing of SGX shares. It provides that SGX shall make a single offer to a special purpose company of such number of shares for subscription and at such par value as the Minister under the Merger Act may direct, and that the special purpose company shall not exercise or control the exercise of the votes attached to these SGX shares. The special purpose company may from time to time offer for sale such number of SGX shares as the Minister may direct. The Merger Act provides that the proceeds from such an offer (after paying the expenses and fees associated with the demutualization of SES and SIMEX, the formation of SGX and the special purpose company, and the offer of SGX shares) shall be paid into the Financial Sector Development Fund, which is a fund established under the Monetary Authority of Singapore Act, Chapter 186 and maintained by the MAS. The purposes of the Fund are as follows:

- (a) the promotion of Singapore as a financial center;
- (b) the development and upgrading of skills and expertise required by the financial services sector in Singapore;
- (c) the development and support of educational and research institutions, research and development programmes and projects relating to the financial services sector in Singapore; and
- (d) the development of infrastructure to support the financial services sector in Singapore.

Pursuant to these provisions of the Merger Act, SEL Holdings Pte Ltd was designated by the Minister as the special purpose company.

MAS Power to Issue Directives

Pursuant to the Merger Act, the MAS is also given the power to issue directives of a general or specific nature to SGX if necessary or expedient for ensuring fair and orderly securities and futures markets or for ensuring the integrity of, and proper management of systemic risks in, the securities and futures markets. Such directives may be issued in respect of the amendment of rules of SGX, the corporate governance or management of SGX, the books and records of SGX, or other matters. The Merger Act also requires any auditor of SGX to report certain matters to the MAS. See also “Regulation of the Exchanges” and “Management.” The Merger Act also contains restrictions on acquisitions of substantial shareholdings in SGX. See “Risk Factors—The Merger Act Contains Provisions that Restrict Ownership of Our Shares.”

THE EGM

We convened an extraordinary general meeting (the “EGM”) of our shareholders on November 1, 2000 who considered and approved the following proposals:

- (a) the adoption of new Articles of Association (the “New Articles”) in substitution for, and to the exclusion of, the existing Articles of Association of the Company (the “Existing Articles”);
- (b) the sub-division of each of the ordinary shares of S\$1.00 each in the capital of the Company into 100 ordinary shares of S\$0.01 each and a bonus issue of ordinary shares of S\$0.01 each in the capital of the Company (the “Capital Restructuring”);
- (c) the adoption of a share option plan to be known as the SGX Share Option Plan;
- (d) subject to the adoption of the SGX Share Option Plan, the approval to grant of options under the SGX Share Option Plan with subscription prices set at a discount to market price; and
- (e) the approval of the grant of options to Mr. Thomas A. Kloet, our Chief Executive Officer and the allotment and issue of shares upon the exercise of such options.

Adoption of the New Articles

Our Existing Articles do not meet the listing requirements with which a listed company must comply in order to be listed on the SGX-ST. Our shareholders have approved the New Articles which provide for changes to the Existing Articles in order to comply with such listing requirements. The New Articles provide that these changes will take effect only upon, and not before, the listing of our company on the SGX-ST. The New Articles are described under “Description of Share Capital.”

Capital Restructuring

In connection with the Offering, our shareholders approved a Capital Restructuring consisting of (i) the sub-division of our shares of par value S\$1.00 each into 100 shares of par value S\$0.01 each and (ii) the distribution of bonus shares of par value S\$0.01 each to our existing shareholders.

The primary purpose of the Capital Restructuring is to implement a capital structure that will facilitate being a listed company. The Capital Restructuring will ensure that the Offering Price of our shares is in a customary range for shares traded on the SGX-ST, and it will provide us with sufficient authorized but unissued shares for future uses.

In accomplishing this goal, the Capital Restructuring is designed to ensure that our existing shareholders will hold issued shares which have an aggregate value, when valued at the Offering Price, equal to the dollar value specified pursuant to the Merger Act. Pursuant to the Merger Act, the holders of SES and SIMEX shares and SIMEX seats were entitled to receive shares having an aggregate dollar value of S\$308,340,000. At the time of the Merger, the Minister under the Merger Act determined that shares having a value of \$5,000 per share would be issued. As a result, an aggregate of 61,668 shares were issued. No other shares have been issued, other than two subscriber shares issued at the time of incorporation. Thus, as of November 14, 2000 we had a total of 61,670 fully paid shares issued and outstanding. Pursuant to the Capital Restructuring, we will distribute additional bonus shares, so that the existing issued shares (after the subdivision) plus the bonus shares will represent, when valued at the Offering Price, an aggregate of S\$308,350,000.

The Capital Restructuring accomplishes this goal by first providing for the sub-division of our shares. This means that our 1 billion authorized shares of par value S\$1.00 each will become 100 billion shares of par value S\$0.01 each. Our issued and outstanding shares, which total 61,670, will become 6,167,000 shares. Thus, each share that was assigned a value of S\$5,000 by the Minister under the Merger Act will become 100 shares, each of which would represent 1/100 of the value assigned by the Minister, or a notional S\$50 per share. We will then issue a number of bonus shares in respect of each issued sub-divided share equal to S\$50 divided by the Offering

Price, minus 1. This has allowed for maximum flexibility in determining the Offering Price, and will ensure that, after giving effect to the Offering, the sub-divided shares and the bonus shares will represent, when valued at the Offering Price, an aggregate of S\$308,350,000.

The Capital Restructuring will be implemented prior to or concurrently with closing of the Offering. The Offering Price will be used to determine the number of bonus shares to be issued. In addition, in order to determine the number of bonus shares, we have fixed the total number of shares that will be issued and outstanding after the Capital Restructuring and the subscription for shares by the Selling Shareholder. Therefore, our board of directors has passed a resolution that there will be exactly 1,000,000,000 shares issued and outstanding immediately after giving effect to the Capital Restructuring and the subscription for shares by the Selling Shareholder in connection with the Offering.

The number of shares which the Selling Shareholder has subscribed for, and the number of shares it will sell as well as the Offering Price, has been directed by the Minister under the Merger Act. The Selling Shareholder has subscribed for more shares than it will sell in the Offering. Any such shares not sold in the Offering may be sold by the Selling Shareholder later at such prices as the Minister shall direct. Such sales would not affect the Capital Restructuring. All net proceeds of such sales would go to the FSDF.

The following sets forth the number of bonus shares that will be issued and related information. This assumes all the Shares offered in the Strategic Private Placement are sold and that there is no exercise of the over-allotment option.

Offering Price: S\$1.10 per share

Number of shares sold to new investors: 428.0 million

Bonus shares per existing share: 44.45454545 (S\$50 divided by S\$1.10, minus 1)

Total bonus shares issued: approximately 274.2 million (44.45454545 times 6,167,000)

Total existing shares plus bonus shares issued: approximately 280.3 million (274.2 million plus 6,167,000)

Value of existing shares and bonus shares at Offering Price: S\$308,350,000

Total shares subscribed for by Selling Shareholder: approximately 719.7 million (1 billion less approximately 280.3 million)

Total shares retained by Selling Shareholder after Offering: approximately 291.7 million

Note that because the number of bonus shares calculated on a per share basis results in a fraction of a share, the fractions to which each shareholder would otherwise be entitled will be aggregated and whole shares will be issued equal to the nearest whole number (rounded down). No fractional shares will be issued and no cash will be paid in lieu of any fractional share. The exact number of shares subscribed for by the Selling Shareholder will be determined in light of any such rounding to ensure that 1 billion shares will be outstanding.

The SGX Share Option Plan was approved by our shareholders and we expect to grant options in connection with the Offering. Those grants would be made on the basis of our capital structure after giving effect to the Capital Restructuring. In addition, Mr. Kloet's employment contract requires that his existing options be adjusted for the Capital Restructuring and the subscription for shares by the Selling Shareholder. Because none of his options are currently exercisable, nor would any other options we may grant in connection with the Offering be immediately exercisable, none of these options would affect the assumption that 1 billion shares will be issued and outstanding after the Capital Restructuring and the subscription for shares by the Selling Shareholder in connection with the Offering. See "Management—Employment Agreements" and "Management—Employee Benefit Plans."

SGX Share Option Plan

Our shareholders have approved the SGX Share Option Plan, which is described under “Management—Employee Benefit Plans.” In addition, our shareholders have approved the granting of options under the SGX Share Option Plan with subscription prices which are set at a discount to the market price for shares prevailing as of the date of the grant, subject to a maximum discount of 20 per cent. Under the SGX-ST listing rules, the granting of such options is required to be approved by way of a separate resolution.

Approval of CEO Options

Our shareholders have approved the options granted and to be granted to Mr. Kloet, our Chief Executive Officer, pursuant to his employment contract. See the description of these options under “Management—Employment Agreements.”

REGULATORY OVERSIGHT OF THE EXCHANGES

Securities Industry

The Singapore securities industry is governed primarily by the Securities Industry Act, Chapter 289 of Singapore (the “SIA”). The SIA regulates the conduct of securities business and trading of securities on securities exchanges. The SIA prohibits and imposes criminal penalties for a host of undesirable trading practices including false trading, market rigging, stock market manipulation and insider trading. The SIA also empowers the MAS to bring a civil suit against persons involved in insider trading.

A stock market may operate in Singapore if it is a stock market of a securities exchange approved by the Minister for Finance. Before granting approval, the Minister for Finance will have to be satisfied that certain criteria as provided in the SIA, have been complied with by the applicant. An entity may also operate in Singapore if it is declared to be an exempt stock market by the Minister for Finance. The Minister for Finance recently declared an ECN to be an exempt stock market and permitted it to offer to institutional investors an electronics trading platform for bonds.

The general supervision of the securities industry is undertaken by the MAS. The SIA provides that SGX-ST must obtain the approval of the MAS for all changes in the rules governing SGX-ST and its member companies and the listing rules, and that dealers, investment advisers and their representatives may only operate under a licence granted by the MAS.

The MAS is empowered by the SIA to conduct investigations whenever it has reason to suspect that a person has committed an offence under the SIA or has been guilty of fraud or dishonesty in relation to a dealing in securities. The MAS has wide powers to compel under conditions of secrecy the production of books and disclosure of other information.

The Securities Industry Council (the “SIC”) is an advisory body established in 1973 under the SIA. The Minister for Finance appoints representatives from both the private and public sectors to be members of the SIC. The SIC advises the Minister for Finance on all matters relating to the securities industry.

The Central Depository System. Amendments to the Companies Act were made in 1993 to provide the regulatory framework for the central depository system in Singapore. The amendments provide, among other things, that (i) an approved securities depository (“Depository”) (currently, CDP is the only approved securities depository in Singapore) shall not be regarded as member of any company in respect of those shares of that company that are deposited with it but rather the depositors shall be the members and (ii) transfers under the depository system may be made by book-entry in the Depository Register.

In addition, the subsidiary legislation under the Companies (Central Depository System) Regulations sets out, among other things, the (i) rights and obligations of Depository Agents, (ii) duties of the Depository, (iii) powers of the MAS to inspect the Depository, (iv) powers of the Minister for Finance to give such directions as is necessary to the Depository and Depository Agents with regard to the proper discharge of their duties or functions and (v) procedures for the deposit and custody of securities and the transfer of title of book-entry securities.

Derivatives Industry

The Singapore futures industry is governed primarily by the Futures Trading Act, Chapter 116 of Singapore (the “FTA”). The FTA regulates how business should be conducted in the futures industry. The FTA prohibits and imposes criminal liabilities on a host of undesirable trading practices, including false trading, bucketing, dissemination of information about false trading, price manipulation and cornering and fraudulent trading.

A futures market may operate in Singapore if it is a futures market of the SGX-DT or a futures exchange approved by the MAS. The MAS will have to be satisfied that certain criteria, as provided in the FTA, have been

complied with by the applicant. A futures market may also operate in Singapore if it is declared to be an exempt futures market by the MAS. Similarly, a clearinghouse for a futures market may be set up in Singapore if it is a clearinghouse of SGX-DT or a corporation approved to be a clearinghouse by the MAS.

The general supervision of the futures industry is undertaken by the MAS. SGX-DT must obtain the approval of the MAS for all changes in the rules governing SGX-DT. Futures brokers, futures trading advisers and their representatives may only operate under a license granted by MAS.

In addition, the MAS is empowered by the FTA to (i) take emergency action to maintain and restore orderly trading, or liquidation of, any futures contracts, (ii) fix position and trading limits in futures contracts to diminish, eliminate or prevent excessive speculation, (iii) compel production of books, accounts and records of certain participants in the futures industry as it may require, (iv) review disciplinary actions taken by any futures exchange or clearing house against its members, (v) conduct investigations for any contravention of the FTA, (vi) inspect, under conditions of secrecy, the books, accounts, transactions and documents of futures exchanges, clearing houses, futures brokers or futures trading advisers and (vii) make regulations to carry out the purposes and provisions of the FTA and for the due administration of it.

Effect of Insolvency Laws

There is doubt as to the enforceability of certain of our clearing entities' rules and procedures in the context of the insolvency of a member. In particular, when applied to an insolvent member, our rules which provide that we become the counterparty to each trade through novation could be deemed to be contrary to certain Singapore laws regarding distribution of the assets of an insolvent party. Our ability to net a member's obligations and to set off a member's obligations against any margin or security deposits could be deemed to be inconsistent with Singapore law as it pertains to set-offs or could be deemed to constitute a voidable preference. Certain procedures could also be considered to interfere with the rights of a liquidator. None of these issues has been explicitly addressed by a Singapore court in the context of the insolvency of a member. Unlike some other jurisdictions, Singapore has not adopted legislation that exempts clearing entities from certain insolvency law provisions or that ensures that clearing entities can net and offset member's positions in an insolvency. Although we plan to discuss with the relevant Singapore authorities certain legislative changes that would ensure the enforceability of our rules and procedures, we cannot assure you that any such changes would be made or that under current law the actions we are able to take under our rules against an insolvent member would not be challenged by the member's liquidator. If the actions are successfully challenged, there is a greater risk that the insolvency of a member could materially adversely affect us.

SGX

General. As described in "The Merger," the Merger Act provides for the creation of SGX pursuant to the demutualization and merger of the securities and derivatives exchanges of Singapore.

In addition, the Merger Act provides for the regulation, supervision and control of SGX post-demutualization and merger. Under the Merger Act, the MAS is empowered to issue any directives to SGX it deems necessary or expedient for ensuring fair and orderly securities and future markets or for ensuring the integrity of, and proper management of systemic risks in, both these markets. The Merger Act requires any person intending to acquire a substantial shareholding (meaning a shareholding of not less than 5% of our shares) in SGX to notify and seek prior approval from the MAS. The MAS may grant such approval subject to such conditions as it considers appropriate to impose.

Listing of SGX. Under Section 13(1) of the Merger Act, our shares may only be listed on a stock exchange (as defined in the SIA) if SGX has entered into such arrangements as the MAS may require:

- (a) for dealing with possible conflicts of interest that may arise from the listing or quotation of our shares on a stock exchange; and

(b) for the purpose of ensuring the integrity of trading of our shares,
and SGX shall comply with such arrangements.

Section 13(2) of the Merger Act further provides that the rules of the stock exchange shall be deemed to provide for the MAS, instead of the stock exchange, to make decisions and to take action (or require the stock exchange to take action on behalf of the MAS) on the following matters:

- (a) the admission to or removal of SGX from the stock exchange's official list; and
- (b) granting, stopping or suspending the quotation of our shares on the stock exchange.

With regard to the rules of the stock exchange, the MAS may, pursuant to Section 13(3) of the Merger Act, by notice in writing:

- (a) modify the rules of the stock exchange for the purpose of applying to the listing, quotation or trading of our shares; and
- (b) exempt SGX from any rule of the stock exchange.

Listing on the SGX-ST. In the event that our shares are listed on the SGX-ST, a Deed of Undertaking ("Undertaking") will be executed by SGX and SGX-ST in favor of the MAS which will provide for the arrangements contemplated by Section 13(1) of the Merger Act. The current draft of the Undertaking sets out, among others, the following provisions:

(a) the MAS is authorised, instead of SGX-ST, to make decisions and take action (or require SGX-ST to take action on behalf of the MAS) in relation to SGX that would be taken by SGX-ST in the case of other corporations listed on the SGX-ST;

(b) the MAS will receive and consider SGX's application for listing and if the application is approved, SGX's compliance with the listing rules of SGX-ST as a corporation listed on the SGX-ST will be supervised by the MAS;

(c) in order to discharge its supervisory role in relation to the listing of SGX on the SGX-ST, the MAS will have all the powers and functions that SGX-ST has in relation to a corporation listed on the SGX-ST, and SGX and SGX-ST shall provide all administrative assistance and information reasonably required by the MAS;

(d) SGX will release all its announcements to SGX-ST through MASNET or otherwise to be submitted promptly to SGX-ST for public release;

(e) SGX will pay to the MAS any fee (including any applicable tax) that would have been payable to SGX-ST by any other corporation in connection with its listing on the SGX-ST;

(f) as regards market surveillance, SGX-ST will immediately inform the MAS if it detects unusual market activity on the SGX-ST involving SGX shares in the course of its surveillance of listed corporations or as a result of complaints or market intelligence, which discloses a possible breach of any written law, rule or condition or a license;

(g) the Undertaking will be reviewed annually;

(h) the Undertaking may be varied, amended or supplemented upon request by the MAS; and

(i) SGX and SGX-ST will generally cooperate with the MAS to achieve the objectives of Section 13 of the Merger Act and the Undertaking.

It is also provided under the Undertaking that SGX and SGX-ST will comply with and abide by any action taken by the MAS which the MAS considers necessary or desirable:

- (a) for ensuring fair and orderly securities and futures markets; or
- (b) for ensuring the integrity of and proper management of systemic risks in the securities and futures markets; or
- (c) for dealing with possible conflicts of interest that may arise from the listing or quotation of our shares on the SGX-ST; or
- (d) for the purpose of ensuring the integrity of trading of the securities of SGX.

Under the Undertaking, SGX is required to use its best endeavors to ensure that staff of SGX or of any subsidiary of SGX are alert to, and identify, conflicts of interest or possible conflicts of interest which may arise in the course of the performance of regulatory functions in relation to the listing of our shares on the SGX-ST. Where a conflict of interest exists, it is to be referred to a conflicts committee, comprising not less than three senior management executives of SGX (of whom at least one must be a director of SGX) and the conflicts committee secretary for consideration. The head of the Risk Management and Regulation Division will be the conflicts committee secretary (who shall not be a member of the conflicts committee). The conflicts committee members will be appointed, subject to the approval of the MAS, by the board of directors of SGX. If the conflicts committee determines that a conflict or possible conflict of interest does or may arise, it is required to notify the MAS.

If the MAS determines that a conflict or possible conflict of interest does or may exist, then SGX shall:

- (a) provide such information requested by the MAS with respect to its present and proposed interest and all those of any subsidiary of SGX;
- (b) comply with, or procure that its subsidiaries comply with, any direction given by the MAS; and
- (c) facilitate the exercise by the MAS of all or any of the powers and functions otherwise exercisable by SGX or any subsidiary of SGX to the exclusion of any such company.

MANAGEMENT

Directors and Executive Officers

There are currently 11 directors on our board of directors (the “SGX Board”), which is responsible for the overall management of our company. Our Articles of Association set the minimum number of directors at two. Directors are approved by our nominating committee and are elected at each annual general meeting of shareholders. See “—Nominating Committee.”

The number of directors retiring and eligible to stand for re-election each year varies, but generally it is equal to one-third of the SGX Board, with directors who have been in office the longest since their last re-election or appointment standing for election.

Our Articles of Association permit a director to appoint an alternate director to act in place of such director should the director be unable to perform his or her duties as a director for a period of time. Under Singapore law, the alternate director is not merely an agent but is accountable to the company for his actions as director during the period for which he acts as alternate director.

The following table sets forth the name, age and position of each of our directors and executive officers as of August 31, 2000.

<u>Board of Directors</u>	<u>Age</u>	<u>Position</u>
Joseph Yuvaraj Pillay	66	Chairman
Thomas A. Kloet	42	Executive Director
Richard J. Gnodde	40	Non-executive Director
Goh Yew Lin	41	Non-executive Director
Ho Tian Yee	48	Non-executive Director
Victor Liew Cheng San	54	Non-executive Director
Low Check Kian	41	Non-executive Director
Hidetoshi Mine	50	Non-executive Director
Robert Michael Stein	39	Non-executive Director
George Teo Eng Kim	55	Non-executive Director
Wong Ngit Liong	58	Non-executive Director
<u>Executive Officers</u>		
Thomas A. Kloet	42	Chief Executive Officer
Ang Swee Tian	52	President (Office of the Chief Executive) and Interim Division Head (Corporate Strategy and Marketing)
Jimmy Ang Kong Heng	50	Executive Vice President (Derivatives Trading Division)
Peter Chia Chon Hian	47	Executive Vice President (Securities Clearing & Depository Division)
Daniel Tan Bak Hiang	41	Executive Vice President (Information Technology Division)
Ho Yew Mun	48	Senior Vice President (Securities Trading Division)
Lew Seng Huat	48	Senior Vice President (Human Resources Division)
Low Teng Yong	30	Senior Vice President (Derivatives Clearing Division)
Roy Simpson	45	Senior Vice President (IT Solutions Division)
Anderson Tang Siu Ki	47	Senior Vice President (Finance & Administration Division)

Background of Directors, Officers and Key Employees

Joseph Yuvaraj Pillay. Mr. Pillay has served as the Chairman of the SGX Board since November 18, 1999. Mr. Pillay has held a variety of positions in the government of Singapore (1961-1995), rising to permanent secretary in 1972. He served in the ministries of finance, defence and national development. Between 1985 and 1989, Mr. Pillay was the Managing Director of the MAS and of the Government of Singapore Investment Corporation. He was High

Commissioner to the United Kingdom from 1996 to 1999. Mr. Pillay has served, in a non-executive capacity, on the boards of several government-linked companies. He was the Chairman of Temasek Holdings (Private) Limited (1974-1986), The Development Bank of Singapore Ltd (1979-1984), Singapore Technologies Holdings (Private) Limited (1991-1994) and Singapore Airlines Ltd (1972-1996). He served as Chairman of the International Advisory Panel of the MAS from 1999 to 2000. Mr. Pillay now serves as a board director of Oversea-Chinese Banking Corporation Limited, member of the Investment Committee of the United Nations Pension Fund, Chairman of Commonwealth Africa Investments Limited, and member of the Board of Governors of Asia-Europe Foundation. Mr. Pillay's address is 1 Belmont Road #02-00, Singapore 269852.

Thomas A. Kloet. Mr. Kloet became our Chief Executive Officer and a Director on April 24, 2000. Before joining SGX, Mr. Kloet was Senior Managing Director of ABN AMRO, Inc., and a Senior Vice President of ABN AMRO BANK N.V. From 1998 to 2000, he was a director of both ABN AMRO Futures (Singapore) Ltd. and ABN AMRO Futures Ltd. (UK). He was also a member of the Board of Directors of CME, from 1996 to 2000, serving as its Board Treasurer and Chairman of its Clearing House Oversight Committee. Prior to 1997, Mr. Kloet was the Chief Operating Officer of Credit Agricole Futures, Inc. and a Board Member of its parent, Segespar Capital Markets, Inc. Mr. Kloet is a certified public accountant and is a member of the American Institute of Certified Public Accountants. Mr. Kloet's address is 12 Cuscaden Walk #18-02, Four Seasons Park Autumn Block, Singapore 249643.

Richard J. Gnodde. Mr. Gnodde has served on the SGX Board since November 18, 1999. He is also the President and Managing Director of Goldman Sachs (Asia) L.L.C., serving as President since September 1999. Mr. Gnodde holds a Commerce degree from the University of Cape Town and a Master of Arts degree in Law from the University of Cambridge. Mr. Gnodde's address is House A, 84 Peak Road, The Peak, Hong Kong.

Goh Yew Lin. Mr. Goh has served on the SGX Board since July 20, 2000. He is Executive Director of GK Goh Holdings Ltd. and has held that position since 1990, having been a director of companies in the GK Goh Group since 1984. From 1982 to 1984, he was an Investment Adviser at Robert Fleming & Company Ltd. Mr. Goh graduated from the Wharton School, University of Pennsylvania, with a Bachelor of Science degree in Economics. Mr. Goh's address is 46 Coronation Road West, Astrid Meadows #07-02, Singapore 269262.

Ho Tian Yee. Mr. Ho has served on the SGX Board since November 15, 1999. Mr. Ho is currently the Managing Director of Pacific Asset Management (S) Pte Ltd. Prior to this, Mr. Ho was the General Manager and Regional Head of Southeast Asian Operations at Bankers Trust Company. Mr. Ho holds a Bachelor of Economics degree (Hons.) from Portsmouth University and has graduated from the Executive Management Program at Carnegie Mellon University. Mr. Ho's address is 341 Bukit Timah Road #10-02, Honolulu Tower, Singapore 259719.

Victor Liew Cheng San. Mr. Liew has served on the SGX Board since November 15, 1999. Currently, he is an Executive Vice President of Overseas Union Bank Limited and has served as Chairman of OUB Bullion and Futures Ltd since July 1993. Previously, he was the Head of Treasury at First National Bank of Chicago until 1980. Mr. Liew graduated from the University of Singapore with a Bachelor of Social Sciences degree (Hons.). Mr. Liew's address is 32 Cairnhill Road #03-03, Silver Tower, Singapore 229657.

Low Cheek Kian. Mr. Low has served on the SGX Board since July 20, 2000. He is also the Vice Chairman of the Corporate and Institutional Client Group, Asia Pacific Region, for Merrill Lynch and is responsible for overseeing strategic direction and relationship management for the region. Prior to this, he was the Managing Director and Head of Equity Markets, Asia Pacific, at Merrill Lynch (Singapore) Pte. Ltd. Mr. Low holds a Bachelor of Science degree and a Master of Science degree in Economics from the London School of Economics. Mr. Low's address is 8 Cluny Park, Singapore 259618.

Hidetoshi Mine. Mr. Mine has served on the SGX Board since November 15, 1999. He has recently joined the Bank of Tokyo-Mitsubishi Ltd H.O. Previously, he was the Managing Director for Tokyo-Mitsubishi

International (S) Ltd. from 1996. Prior to that, he was involved in foreign exchange, commercial banking and investment banking. Mr. Mine graduated from Hitotsubashi University in Tokyo. Mr. Mine's address is 2376-13 Horigane Sayama-shi Saitama-ken, Japan.

Robert Michael Stein. Mr. Stein has served on the SGX Board since July 20, 2000. He is CEO, Asia Pacific, of Deutsche Bank Group. Prior to this, he was CEO of Deutsche Bank Group, Japan. Before he joined Deutsche Bank, he was Head of Debt and Equity Markets at Merrill Lynch, Asia Pacific (Hong Kong). Mr. Stein holds a Bachelor of Arts degree in Philosophy and Biochemistry (Honors) from Dartmouth College and a Master of Science degree in International and Development Economics from Oxford University. Mr. Stein's address is 40 Nassim Road, Singapore 258449.

George Teo Eng Kim. Mr. Teo has served on the SGX Board since November 15, 1999. He is also the Executive Chairman of J. M. Sassoon & Co. Ltd. and Group Managing Director of the Sassoon Group of companies. Mr. Teo is a member of the Institute of Certified Public Accountants of Singapore and a Fellow of the Institute of Chartered Accountants in England and Wales. Mr. Teo's address is 32 Victoria Park Road, Singapore 266512.

Wong Ngit Liong. Mr. Wong has served on the SGX Board since November 15, 1999. He is also the Managing Director of Venture Manufacturing (S) Ltd. Prior to this, he was the General Manager of two product divisions at Hewlett-Packard Singapore. Mr. Wong holds a 1st class (Hons.) degree in Electrical Engineering and a Master of Science degree in Electrical Engineering from University of California at Berkeley. He also holds a Master of Business Administration degree (with distinction) from McGill University. Mr. Wong's address is 3A Camden Park, Singapore 299817.

Ang Swee Tian. Mr. Ang has been our President since December 1, 1999. He currently oversees the Securities and Derivatives Trading and Clearing Divisions and the Corporate Strategy and Marketing Division. Mr. Ang holds a 1st class (Hons.) degree in Commerce from Nanyang University of Singapore and a Master of Business Administration degree from Northwestern University in Chicago. He joined SIMEX in 1983 as its General Manager where he was closely involved in the establishment and development of the derivatives market. Prior to joining SIMEX, Mr. Ang had served in several departments in the MAS, including Head of the Money Market Division in the Banking Department and Deputy Insurance Commissioner in the Insurance Commissioner's Department. Mr. Ang's address is 5 Pandan Valley, #04-707 Bauhinia Terrace, Singapore 597629.

Jimmy Ang Kong Heng. Mr. Ang has been Executive Vice President (Derivatives Trading Division) since December 1, 1999. Aside from his more than 25 years of professional and senior managerial experience with global corporations and banks, Mr. Ang has many years of derivatives trading experience in commodity and financial instruments. Before joining SIMEX in 1996, Mr. Ang was Vice President, Commodities/Derivatives of Chemical Bank. Mr. Ang holds a MBA from Warwick Business School (UK). Mr. Ang's address is 1 Peck Hay Road, #11-04 Casa Cairnhill, Singapore 228305.

Peter Chia Chon Hian. Mr. Chia has served as Executive Vice President (Securities Clearing & Depository Division) since December 1, 1999. Mr. Chia joined SES in 1987. Prior to joining the Securities Market, Mr. Chia was the head of Public Relations and Marketing Department of the Post Office Savings Bank of Singapore ("POSB") and was Company Secretary to POSB's subsidiaries. Mr. Chia graduated from the University of Singapore with a degree in Accountancy. Mr. Chia's address is 18 Tai Hwan Drive, Singapore 555528.

Daniel Tan Bak Hiang. Mr. Tan has been Executive Vice President (Information Technology Division) since December 1, 1999. Mr. Tan joined SES in 1983. Before joining us, he worked in the Housing and Development Board for two years. Mr. Tan holds a degree in Computer Science from the University of Toronto. Mr. Tan's address is 38 Bournemouth Road, Singapore 439684.

Ho Yew Mun. Mr. Ho is Senior Vice President (Securities Trading Division) and has served in that position since December 1, 1999. He joined SES in 1993. Mr. Ho is a qualified accountant in the United Kingdom and

started his career in finance with an international accounting firm. He also holds a masters degree in business administration, which he obtained while he served with the New Zealand Public Service, Wellington. In 1987, Mr. Ho became Controller of the New Zealand Government Computer Service and subsequently joined the New Zealand Treasury. As manager of financial management policy, he implemented various financial and budget reforms in the Public Sector. Mr. Ho's address is Block 106 Lengkong Tiga, #08-325, Singapore 410106. Mr. Ho intends to leave SGX by the end of this year and we are conducting a search for his replacement.

Lew Seng Huat. Mr. Lew has served as Senior Vice President (Human Resources Division) since April 2000. He has more than 20 years of professional experience covering engineering and planning, contracts coordination, employee and industrial relations, personnel management and human resources development. Most recently, he was Director, Human Resources Development/Asia Pacific of Daimler Chrysler AG and Personnel Manager at Shell Bukom Refinery in Singapore. Mr. Lew holds a Master of Science degree in Engineering from the National University of Singapore and a LLB (Hons.) from the University of London. Mr. Lew's address is 7 Greenwood Walk, Singapore 289099.

Low Teng Yong. Mr. Low has been Senior Vice President (Derivatives Clearing Division) since December 1, 1999. Mr. Low joined SIMEX upon his graduation from the National University of Singapore with a 1st class honors degree in Mathematics in 1992. Mr. Low's address is 53 Lengkong Empat, #03-02 Escada View, Singapore 417657.

Roy Simpson. Mr. Simpson has been Senior Vice President (IT Solutions Division) since September 1, 2000. He has had 12 years operational experience with several major investment banking firms such as Morgan Stanley, Deutsche Morgan Grenfell and Merrill Lynch. Before joining us, he was the Director of Operations (Europe) at Mellon Trust Bank UK. He is also a Scottish Chartered Accountant. Mr. Simpson holds a Master of Arts degree in Geography from Glasgow University. Mr. Simpson's address is 11 Nathan Road, #19-03 Regency Park, Singapore 248732.

Anderson Tang Siu Ki. Mr. Tang has served as Senior Vice President (Finance & Administration Division) since April 2000. Mr. Tang has over 20 years of finance and operations experience with various major foreign banks and financial institutions, including most recently as Regional Financial Controller of American Express Bank for Asia and the Subcontinent (1997-1999) and Head of Finance & Operations for Lehman Brothers Singapore (1995-1997). Mr. Tang graduated from Concordia University in Canada with a Bachelor of Commerce degree (Hons. in Accountancy). He is also a Chartered Accountant. Mr. Tang's address is 995 Bukit Timah Road, #07-04 Casa Esperanza, Singapore 589632.

The Risk Management and Regulation Division is currently being overseen by an acting division head, Soo Yu Chuan, while we conduct a search for the permanent head of that division.

Committees of the SGX Board

The SGX Board currently has the following committees:

Audit Committee

Its function is to assist the SGX Board by reviewing the financial information provided by SGX to any governmental body or the public, the systems of internal controls that the management and the SGX Board have established and the audit and business processes to manage risks and safeguard our assets and enhance shareholder value. The committee members are Ho Tian Yee, Hidetoshi Mine, Victor Liew Cheng San and Robert Michael Stein.

Nominating Committee

It has the duty of reviewing all nominations for the appointment or re-appointment of the directors on the SGX Board and the chief executive officer of SGX (the "SGX CEO"). The committee must comprise at least

four directors from the SGX Board but shall not include the SGX CEO. Prior approval must be sought from the MAS before a person is appointed or re-appointed to the nominating committee. The criteria for identifying candidates and reviewing nominations for appointments shall include the following:

- (a) the majority of the SGX Board must be Singapore citizens or permanent residents;
- (b) not more than half of the members of the SGX Board shall be:
 - (i) executive directors of SGX or any related corporation;
 - (ii) a spouse, parent, brother, sister, son or adopted son or daughter or adopted daughter of an executive director of SGX or of any related corporation; or
 - (iii) any person having a relationship which, in the opinion of the nominating committee, would or is likely to interfere with the exercise of independent judgement by a person for the purposes of carrying out the functions of a director of SGX; and
- (c) the candidate must be a fit and proper person and qualified to be on the SGX Board.

The committee members are Joseph Yuvaraj Pillay, Richard J. Gnodde, George Teo Eng Kim and Ho Tian Yee.

Appeals Committee

Its primary function is to conduct hearings of appeals against the decisions of various other committees of SGX and its subsidiaries. The committee members are Joseph Yuvaraj Pillay, George Teo Eng Kim, Victor Liew Cheng San, Lucien Wong Yuen Kuai, Colin Ng and Low Check Kian.

Compensation and Management Development Committee

Its function is to review the remuneration of executive directors and senior management of SGX and its subsidiaries. The committee members are Joseph Yuvaraj Pillay, Richard J. Gnodde, Wong Ngit Liong, Hideotoshi Mine, Thomas A. Kloet, Low Check Kian and Robert Michael Stein.

Employment Agreements

Our Chief Executive Officer (“CEO”), Thomas A. Kloet, has a three-year employment contract with us which provides for a salary, guaranteed bonus and a performance-based bonus. It also entitles Mr. Kloet to the following share options:

- (1) The SGX Board granted Mr. Kloet (i) an option, effective on April 24, 2000, to subscribe for such number of shares equivalent to 0.5% of SGX’s issued share capital as of April 24, 2000, at an exercise price per share equal to the Offering Price and (ii) an option, effective on April 24, 2000, to subscribe for an additional number of shares equivalent to 0.5% of SGX’s issued share capital as of April 24, 2000, at an exercise price per share equal to 150% of the Offering Price. Each option is equal to 308.35 shares prior to giving effect to the Capital Restructuring. If the Offering does not occur by April 24, 2001, the per share exercise price of the shares subject to the options shall be the fair market value, or 150% of the fair market value, as the case may be, of a share as of April 24, 2000;
- (2) The SGX Board also agreed to grant, on each of April 24, 2001 and April 24, 2002, options to subscribe for 0.25% of SGX’s issued share capital as of the date of the respective grant, at an exercise price per share equal to the fair market value of a share at the date of the grant.

The number of shares subject to each option and the exercise prices are subject to adjustment upon certain events, including increases in share capital by reason of the Offering, consolidation or subdivision of the shares, an issue of shares by way of capitalization of profits or reserve, and a rights offering. As a result, the number of shares subject to the options granted to Mr. Kloet on April 24, 2000 shall be adjusted for the Capital

Restructuring and the subscription for shares by the Selling Shareholder in connection with the Offering. In addition, in the event of a consolidation, merger or amalgamation of SGX with another corporation, the SGX Board may make such arrangements for compensation (such as continuation of the options, options in the surviving corporation or cash payments) as it shall determine, provided that if Mr. Kloet does not agree with such arrangements, the matter shall be determined by a reputable investment or merchant bank mutually agreed by Mr. Kloet and the SGX Board or in the absence of such agreement, as appointed by the Chairman of the Singapore International Arbitration Centre.

Each option vests and becomes exercisable 12 months after the date of the grant of the option until ten years from the date of the grant of the option. Options that have not vested at the time of termination of employment are forfeited, except that if Mr. Kloet's employment is terminated without cause or he resigns for good reason (as defined in his employment contract), options that have been granted but have not vested shall become immediately vested and exercisable.

Our shareholders have approved these options at the EGM. See "The EGM—Approval of CEO Options."

Mr. Kloet's employment contract also provides that if he is terminated by us without cause or if he resigns with good reason, he is entitled to his entire base salary and guaranteed bonus, US\$750,000 per year and US\$250,000 per year, respectively, for the remainder of his contract. In all other cases, we must provide three months' notice to terminate Mr. Kloet's employment, and Mr. Kloet is only entitled to accrued but unpaid salary.

Roy Simpson, our Senior Vice President (IT Solutions Division), has a letter of appointment from us which provides that if he is terminated by us without cause, he will receive S\$455,000 per year for the remainder of the contract. In all other cases, SGX must give two month's notice for termination of Mr. Simpson's employment. The term of his contract began on September 1, 2000 and ends on September 1, 2003.

All of our other executive officers have signed letters of appointment which provide that SGX must give two months' notice for termination of employment. None of our other directors has any service contract with us or any of our subsidiaries which provides for benefits upon termination.

Compensation of Directors and Executive Officers

Subject to approval from our shareholders, our non-executive directors will receive cash compensation of S\$20,000 each per year.

The aggregate actual compensation of our executive officers (and our Chairman) for the fiscal year ended June 30, 2000 (including compensation in their respective capacities, if any, with SES, SIMEX and SCCS for the period from July 1, 1999 to November 30, 1999) was S\$5.24 million.

Thomas A. Kloet, our CEO, is currently the only employee to whom the SGX Board has granted share options, as described above.

Employee Benefit Plans

SGX Share Option Plan

On November 1, 2000, our shareholders approved the SGX Share Option Plan (the "SGX Share Option Plan"). Prior to the completion of the Offering, the SGX Board expects to grant options under the SGX Share Option Plan to employees for up to an aggregate of 10,000,000 of our shares (after giving effect to the Capital Restructuring) which will be exercisable at the Offering Price. Such options will be subject to a vesting period of two years and will be exercisable for a period of five years thereafter. The SGX Board expects to grant approximately 20% of such options to the Executive Officers listed under "—Directors and Executive Officers," except for Thomas A. Kloet and Ho Yew Mun. The following is a summary of the principal rules of the SGX Share Option Plan.

Rationale for the SGX Share Option Plan. We have established the SGX Share Option Plan with the objective of giving all participants a stronger and more lasting sense of identification with SGX. The SGX Share Option Plan will also operate to attract and retain employees, provide participants with incentives to reach higher standards of performance as well as encourage greater dedication and loyalty by enabling us to give recognition

to past contributions and services as well as motivating participants generally to contribute towards our long-term prosperity.

While the SGX Share Option Plan caters principally to employees, we recognize that there are and may be other persons who can make significant contributions to SGX through their close working relationships with us, even though they are not employed by us. The SGX Share Option Plan therefore allows for participation by non-executive members of the SGX Board and the boards of our subsidiaries and employees and directors of associated companies (being companies in which we have at least 20% but not more than 50% of the shares of such companies) over which we have control (though we have no associated companies at this point in time).

Our grant of any options under the SGX Share Option Plan will take into account several factors, including our then prevailing and projected performance as adjusted for approximate industry benchmarks and indicators whenever necessary.

Eligibility. The following persons shall, subject to certain conditions, be eligible to participate in the SGX Share Option Plan:

- Employees of SGX
- Non-executive members of the SGX Board and the boards of our subsidiaries
- Associated company employees
- Non-executive directors of our associated companies

Although the SGX Share Option Plan provides for the participation of the above categories of individuals, it is our current intention to grant options only to employees of SGX. Should we decide in the future to grant options to persons other than employees of SGX, we shall consider the contributions of such persons to the success and development of SGX before selecting them for participation in the SGX Share Option Plan.

We may grant share options to non-executive members of the SGX Board or the boards of our subsidiaries. They provide us with guidance in formulating key policies and oversee our operations from a macro-perspective. In doing so, they contribute their experience, knowledge and expertise. Non-executive members of the SGX Board and the boards of our subsidiaries are individuals from various disciplines with different working experience and backgrounds which we may tap for their expertise and assistance in furthering our business interests. Currently, remuneration for them is by way of directors' fees, which is wholly in the form of cash. Through the SGX Share Option Plan, we will have the flexibility, in the future, to acknowledge and recognize the efforts and contributions of them through a combination of cash remuneration and share options.

We intend that the SGX Share Option Plan should also cater to associated company employees and directors who, although they are not employed by SGX, contribute their experience, knowledge and expertise to our development and success. We do not however have any associated companies presently. With the SGX Share Option Plan, we will have the flexibility to consider, in the future, rewarding such persons by granting share options to them. If we decide in future to grant share options to such individuals, we will consider the contribution of such individuals to the development and success of SGX before selecting them for participation in the SGX Share Option Plan.

Option entitlements. The selection of a participant and the number of shares comprised in share options to be offered to a participant, shall be determined at the absolute discretion of a committee appointed by the SGX Board (the "Committee") to administer the SGX Share Option Plan, which shall take into account criteria such as his rank, job performance, years of service, potential for future development and his contribution to the success and development of SGX.

Size and duration of the SGX Share Option Plan. The total number of shares over which we may grant options under the SGX Share Option Plan shall not exceed 15% of our issued share capital on the day preceding the relevant date of grant.

The SGX Share Option Plan shall continue in force at the discretion of our Committee, subject to a maximum period of 10 years unless extended.

Grant of Options. The SGX Share Option Plan enables us to grant options at any time during the period when the SGX Share Option Plan is in force, except that no options shall be granted during the period of 30 days immediately preceding the date of announcement of our financial results. In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, we may only grant options after the third Market Day after the date of such announcement.

Subscription price. Subject to adjustments under the SGX Share Option Plan, the subscription price for each share in respect of which an option is exercisable shall be determined by our Committee, in its absolute discretion, to be either:

- a price equal to the market price of our shares, which is the average of the last dealt prices of our shares on the SGX-ST over the five consecutive trading days immediately preceding the date of grant of that option or, where our shares are not traded on the SGX-ST, such price as the Committee shall in good faith determine (the “Market Price”), or such higher price as may be determined by the Committee in its absolute discretion; or
- a price which is set at a discount to the Market Price so long as the maximum discount for any share option shall not exceed 20% of the Market Price in respect of that share option.

The subscription price may not be less than the nominal value of a share.

Subscription price at a discount. It is not our current intention to grant share options with discounted subscription prices. However, we believe that the SGX Share Option Plan should provide us with the flexibility to grant share options with discounted subscription prices in the future. We would then be able to offer competitive compensation and incentive packages so as to attract and retain talent. Through the SGX Share Option Plan, we would also be able to motivate employees while encouraging greater dedication and loyalty to SGX.

In determining whether to give a discount and the quantum of any discount, we will take into consideration factors such as our performance, the participant’s length of service, performance, and his contribution to our development and success, and prevailing market practices and conditions.

We may consider granting share options with discounted subscription prices under certain circumstances such as:

- if the practice of granting share options with discounted subscription prices becomes a general market norm;
- if we need to provide specific business units or employees with greater incentive to improve their performance; or
- at any time our shares are listed on the SGX-ST, and if due to speculative forces in the stock market, we believe that the Market Price at the time of the grant of share options is not a true reflection of our financial performance.

Exercise of options. Options with subscription prices which are equal to, or higher than, the Market Price may be exercised one year after the date of grant, and options with subscription prices which represent a discount to the Market Price may be exercised two years after the date of grant.

Based on current legislation, options granted will cease to be exercisable either after the fifth anniversary or after the tenth anniversary of the date of grant, depending on the category of the participant.

An option may be exercised in whole or in part, subject to a vesting schedule, if any.

Shares allotted and issued on the exercise of options shall rank equally in all respects with the then existing issued shares, save for any dividend, right, allotment or other distributions for which the record date falls before the date on which the option is exercised.

Special provisions relating to the lapsing or earlier exercise of options apply in certain circumstances, including the following:

- the termination of the employment of a participant;
- the ill health, injury, disability or death of a participant;
- the bankruptcy of a participant;
- the misconduct of a participant;
- the participant, being a non-executive director, ceasing at any time to be a director of SGX or any subsidiary or an associated company for any reason whatsoever; and
- a takeover, winding-up or reconstruction of our Company.

Events requiring adjustments. If there is a variation in our issued ordinary share capital (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation or distribution), then:

- the subscription price for our shares, the nominal amount, class and/or number of shares comprised in an option to the extent unexercised; and
- the nominal amount, class and/or number of shares over which future options may be granted,

shall be adjusted in such manner as our 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 which we purchase or acquire by way of a market purchase of such shares on the SGX-ST (if our shares are then listed on the SGX-ST) shall not normally be regarded as a circumstance requiring adjustment, unless our Committee considers an adjustment to be appropriate.

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

Modifications or alterations to the SGX Share Option Plan. The SGX Share Option Plan may be modified and/or altered from time to time by a resolution of our 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 share options granted except with the written consent of participants who are entitled to not less than three-quarters in nominal amount of all the shares which would be issued upon exercise in full of all outstanding options.

No alteration shall be made to particular rules of the SGX Share Option Plan to the advantage of the holders of the options, except with the prior approval of shareholders in general meeting.

Disclosures in annual reports. We will make the following disclosures (as applicable) in our annual report for so long as the SGX Share Option Plan continues in operation:

- the names of the members of our Committee administering the SGX Share Option Plan;
- certain information on share options granted to (a) directors of our Company and (b) all other participants who have been granted or who hold options representing 5% or more of the total number of shares available under the SGX Share Option Plan; and
- the number and proportion of shares comprised in options granted under the SGX Share Option Plan during the financial year under review which were granted at a discount.

Role and composition of the Committee. Our Committee will be responsible for the administration of the SGX Share Option Plan, and will comprise directors as may be nominated by the SGX Board to administer the SGX Share Option Plan. A majority of our Committee shall comprise non-executive directors.

Financial effects of the SGX Share Option Plan. Our issued share capital will increase to the extent that options are exercised into new shares. This will in turn depend on, amongst other factors, the number of shares comprised in options granted, the vesting schedules and the prevailing Market Price of our shares.

Based on Singapore GAAP, our grant of options under the SGX Share Option Plan will not have any impact on our profitability as we do not need to incur any cash expenditure at the time we grant options. By comparison, our payment of cash bonuses will affect our profitability. However, share options we grant have a fair value at the time of grant. The fair value of an option is an estimate of the amount that a willing buyer would pay a willing seller for that option on the date of the grant. We intend to grant options to participants for a nominal consideration of S\$1.00 for each grant. If we grant an option for a consideration which is less than its fair value at the time of grant, there would be a cost to us (in that we would receive from the participant upon the grant of that option to him, a consideration which is less than the fair value of that option). In addition, under U.S. GAAP there is a further cost to us if the subscription price for that option is at a discount to the Market Price. U.S. GAAP would require such a cost to be charged to our consolidated profit and loss account at the time we grant that option.

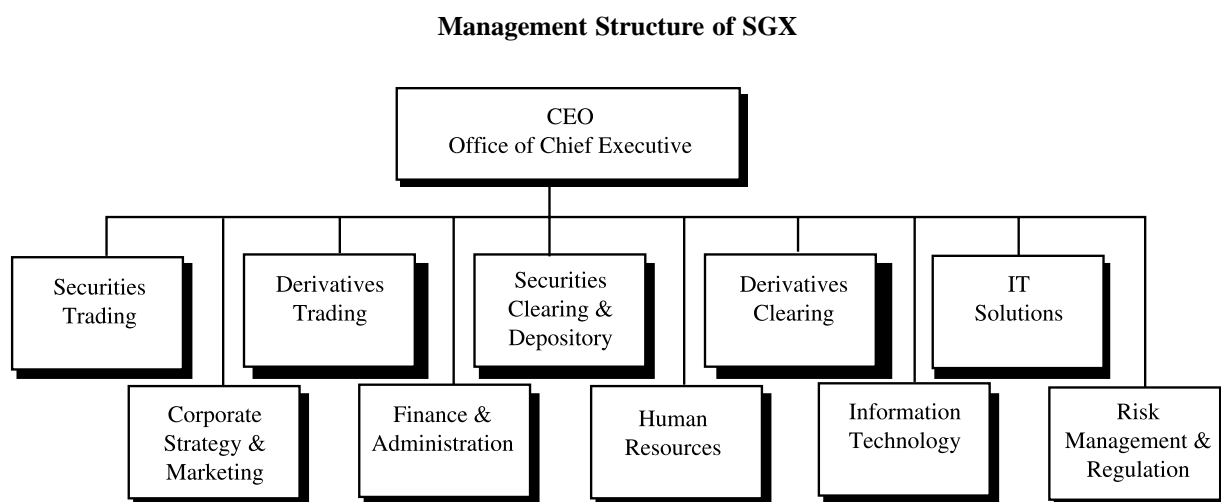
When share options are exercised, our consolidated net tangible assets will be increased by the amount of cash paid in subscription for the new shares. On a per share basis, the effect is accretive if the subscription price is above the net tangible assets per share but dilutive otherwise.

If share options with discounted subscription prices are exercised, the amount of the cash we receive as subscription price for the new shares will be reduced depending on the quantum of the discount given. Our consolidated net tangible assets on the exercise of such options will therefore increase by a smaller amount, as compared with options which are exercised without any discount to the Market Price.

While the SGX Share Option Plan will have a dilutive impact on our consolidated earnings per share, the impact is not expected to be material in any given financial year, as the options are likely to be exercised over several years in accordance with the pre-determined vesting schedules.

Management Structure

The following chart sets forth the management organizational structure of SGX:



PRINCIPAL SHAREHOLDERS AND SELLING SHAREHOLDER

The following table sets forth information regarding beneficial ownership of our shares by (i) each person who is known by us to beneficially own 5.0% or more of our shares and (ii) all directors and executive officers as a group. Unless otherwise indicated, the named persons exercise sole voting and investment power over the ordinary shares that are shown as beneficially owned by them.

To effect an initial placement of shares of SGX, the Merger Act provided for SGX to make a single offer to a special purpose company of such number of our shares and at such par value as the Minister under the Merger Act may direct, and for the special purpose company to offer for sale such shares from time to time as the Minister directs. SEL Holdings Pte Ltd, the Selling Shareholder, was designated as the “special purpose company” under the Merger Act. The registered address of SEL Holdings Pte Ltd is 20 Cecil Street, #26-01/08, Singapore Exchange, Singapore 049705. The number of shares that will be outstanding after giving effect to the Capital Restructuring and the shares issued to the Selling Shareholder in connection with the Offering will be 1,000,000,000. See “The EGM—Capital Restructuring.” The Selling Shareholder will subscribe for more shares than it will sell in the Offering. The Merger Act provides that the Selling Shareholder shall not exercise or control the exercise of votes attached to our shares held by it for the benefit of the FSDF.

The Merger Act prohibits any person from acquiring (or entering into an agreement to acquire) a substantial shareholding in SGX without prior approval of the MAS. Substantial shareholding is generally interpreted as being any amount equal to or greater than 5% of our outstanding shares.

In connection with the Institutional Placement and the Retail Offer, we and the Selling Shareholder have entered into agreements with Merrill Lynch and DBS Bank which restrict our and the Selling Shareholder’s ability to issue or transfer our shares. See “Plan of Distribution—No Sale of Similar Securities.” Some of our existing shareholders have entered into an agreement with us, the Selling Shareholder, Merrill Lynch and CDP which restricts their ability to transfer our shares. See “Plan of Distribution—Strategic Private Placement.”

The amounts under “Ordinary Shares Beneficially Owned Prior to the Offering (and Capital Restructuring)” do not give effect to the Capital Restructuring or the subscription for shares by the Selling Shareholder. The amounts under “Ordinary Shares Beneficially Owned After the Offering (and Capital Restructuring)” give effect to the Capital Restructuring (that is, the subdivision of shares and the bonus issue), as well as the subscription for shares by the Selling Shareholder. See also “The EGM—Capital Restructuring.” This table also assumes that all Shares offered by the Selling Shareholder in the Strategic Private Placement are sold and that there is no exercise of the over-allotment option.

<u>Name</u>	<u>Ordinary Shares Beneficially Owned Prior to the Offering (and Capital Restructuring)</u>		<u>Ordinary Shares Beneficially Owned After the Offering (and Capital Restructuring)</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
			(in millions)	
Temasek Holdings (Private) Limited				
SEL Holdings Pte Ltd ⁽¹⁾	2	*	291.7	29.2%
Other ⁽²⁾	4,054	6.6%	18.4	1.8%
Directors and officers as a group ⁽³⁾	2,616	4.2%	11.9	1.2%

* denotes less than 1%.

(1) SEL Holdings Pte Ltd is ultimately wholly owned by Temasek Holdings (Private) Limited, but pursuant to the Merger Act, SEL Holdings Pte Ltd cannot exercise or control the exercise of the votes attached to the SGX shares issued to it pursuant to the Merger Act. In addition, the Minister under the Merger Act directs when and at what price the shares are sold. Accordingly, neither Temasek Holdings (Private) Limited nor SEL Holdings Pte Ltd is deemed to be the beneficial owner of such shares held by SEL Holdings Pte Ltd; these shares are held for the benefit of the FSDF.

- (2) For the purpose of determining ordinary shares beneficially owned prior to the Offering (and Capital Restructuring), Temasek Holdings (Private) Limited is deemed to have an interest in the SGX shares held by DBS Securities Singapore Pte Ltd (1,200 shares), DBS Trading (Pte) Ltd (125 shares), Keppel Securities Pte Ltd (1,200 shares), Keppel Bullion & Futures Pte Ltd (227 shares), Vickers Ballas & Co. Pte Ltd (1,200 shares) and Vickers Ballas Futures Pte Ltd (102 shares). For the purpose of determining ordinary shares beneficially owned after the Capital Restructuring and the subscription for shares by the Selling Shareholder, such 4,054 shares will be subdivided into 405,400 shares and 18.0 million bonus shares will be issued thereon. This table does not give effect to any Shares that Temasek (Holdings) Private Limited or its affiliates may purchase in the Offering. See “Plan of Distribution—Other.”
- (3) Ordinary shares beneficially owned prior to the Offering (and Capital Restructuring) includes (a) 1,200 shares held by J.M. Sassoon & Co. (Pte) Ltd., of which George Teo Eng Kim owns 29.7% of the share capital; (b) 159 shares held by Sassoon Financial Futures Pte Ltd, which is wholly owned by Sassoon Holdings Pte. Ltd., discussed above; and (c) 1,257 shares held by GK Goh Holdings Ltd, of which GKG Investment Holdings Pte Ltd owns 52% of the share capital. Goh Yew Lin owns 20% of the share capital of GKG Investment Holdings Pte Ltd. For the purpose of determining ordinary shares beneficially owned immediately after the Capital Restructuring and the subscription for shares by the Selling Shareholder, such 2,616 shares will be subdivided into 261,600 shares, and 11.6 million bonus shares will be issued thereon. Mr. Teo and Mr. Goh are deemed to have an interest in these shares by virtue of these relationships. The shares held by directors and officers as a group do not include (i) shares underlying Mr. Thomas A. Kloet’s options, which are not exercisable prior to April 24, 2001 and shares underlying options that may be granted to other executive officers, which would not be exercisable prior to November, 2002 and (ii) the shares held by SEL Holdings Pte Ltd. Although the directors of SEL Holdings Pte Ltd are our Chairman, Mr. Joseph Yuvaraj Pillay, and our CEO, Mr. Thomas A. Kloet, who do not own any shares in SEL Holdings Pte Ltd, SEL Holdings Pte Ltd is not deemed to be the beneficial owner of SGX shares held by it for the benefit of the FSDF and accordingly, Mr. Pillay and Mr. Kloet are not deemed to have beneficial ownership of such shares. Certain other SGX directors are directors, officers or shareholders of member firms that hold shares in SGX. However such directors are not deemed to have an interest in such shares in SGX pursuant to the Companies Act and such shares are not included in the amount of shares beneficially owned by directors and officers as a group. We intend to allocate approximately 5% of the Reserved Shares under the Invitation to the Executive Officers listed under “Management—Directors and Executive Officers,” except for Thomas A. Kloet and Ho Yew Mun. We do not intend to allocate any Reserved Shares under the Invitation to our directors. This table does not give effect to any Shares that our directors and officers may purchase in the Offering.

RELATED PARTY TRANSACTIONS

We have provided services in the ordinary course of business to those shareholders of our company who are participants in our exchanges. Such transactions would not be deemed as interested party transactions for the purposes of Chapter 9A of the SGX-ST Listing Manual.

DESCRIPTION OF SHARE CAPITAL

The following statements are brief summaries of the capital structure of our company and of the more important rights and privileges of shareholders conferred by the laws of Singapore and our Articles of Association. Our Articles of Association provide that certain articles will only apply if and for as long as our shares are listed on the SGX-ST. Such articles would take effect either in addition to, or in substitution of, the articles that apply in the event that our shares are unlisted, as expressly indicated in the Articles of Association. These statements summarize the material provisions of our Articles of Association but are qualified in entirety by reference to our Articles of Association, a copy of which will be available for inspection at our offices during normal business hours for a period of six months from the date of this prospectus.

Shares

Our authorized share capital is currently S\$1,000,000,000 divided into 1,000,000,000 ordinary shares of par value S\$1 each (the “shares”). Our shares, which have identical rights in all respects, rank equally with one another. Our Articles of Association provide that we may issue shares of a different class with preferential, deferred, qualified or special rights, privileges or conditions as our board of directors may think fit, and may issue preference shares which are, or at our option are, redeemable, subject to certain limitations. The SGX Board may issue shares at a premium. If we issue shares at a premium, we will transfer, subject to certain exceptions, a sum equal to the aggregate amount or value of the premium to a share premium account.

As of the date hereof, we have 61,670 issued shares which are fully paid-up. All of our shares are in registered form. We may, subject to the provisions of the Companies Act, purchase our own shares. However, we may not, except in the circumstances permitted by the Companies Act, grant any financial assistance for the acquisition or proposed acquisition of our shares.

The Capital Restructuring consisting of (i) the subdivision of each of our shares of par value S\$1.00 each into 100 shares of par value S\$0.01 each and (ii) the distribution of bonus shares to our existing shareholders has been approved and will be implemented before the close of the Offering. See “The EGM—Capital Restructuring.”

New Shares

We may only issue new shares with the prior approval of our shareholders in a general meeting. In the event that our shares are listed on the SGX-ST and for so long as they are listed, the aggregate number of shares to be issued pursuant to such approval may not exceed 50% (or such other limit as may be prescribed by SGX-ST) of our issued share capital for the time being, of which the aggregate number of shares to be issued other than on a pro-rata basis to our shareholders may not exceed 20% (or such other limit as may be prescribed by SGX-ST) of our issued share capital for the time being. The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted or the date by which such annual general meeting is required by the Companies Act to be held, whichever is earlier. Subject to the foregoing, the provisions of the Companies Act and the Merger Act and any special rights attached to any class of shares currently issued, the SGX Board controls the allotment and issue of all new shares and may impose such rights and restrictions as they think fit.

Section 15 of the Merger Act provides that no person shall enter into an agreement to acquire a substantial shareholding, meaning a shareholding of not less than 5% of our shares, in our company without first notifying the MAS of its intention to enter into the agreement and obtaining the approval from the MAS to his entering into the agreement.

Shareholders

We only recognize the persons who are registered in our register of members. In the event that our shares are listed on the SGX-ST and for so long as they are listed, only persons who are registered on our register of members, except that where the person so registered is CDP, the persons named as the depositors in the Depository Register maintained by CDP for our shares, are recognised as our shareholders. We will not, except as required by law, recognize any equitable, contingent, future or partial interest in any of our shares, or any interest in any fractional part of a share, or (except only as by our Articles of Association or by law otherwise provided) other rights for any share other than the absolute right thereto of the registered holder of that share or of the person whose name is entered in our register of members or entered into the Depository Register for their shares.

We may close our register of members at any time or times if we provide, as required by the Companies Act, the Registrar of Companies with at least 14 days' notice. In the event that our shares are listed on the SGX-ST and for so long as they are listed, we would in addition be required to provide SGX-ST at least 10 clear Market Days' notice. However, our register of members may not be closed for more than 30 days in aggregate in any calendar year. We typically close our register of members to determine shareholders' entitlement to receive dividends and other distributions.

Transfer of Shares

In the event that our shares are listed on the SGX-ST and for so long as they are listed, there would be no restriction on the transfer of our shares except where required by law or the listing rules or the rules or by-laws of any stock of exchange on which they are listed.

The SGX Board may decline to register any transfer of shares which are not fully paid-up shares or on which we have a lien. A shareholder may transfer its shares by means of a duly signed instrument of transfer in a form approved by any stock exchange on which we are listed. The SGX Board may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require.

We will replace lost or destroyed certificates for shares provided that the applicant pays a fee which will not exceed S\$1.00 and furnishes any evidence and a letter of indemnity that the SGX Board may require.

Section 15 of the Merger Act provides that no person shall enter into an agreement to acquire a substantial shareholding, meaning a shareholding of not less than 5% of our shares, in our company without first notifying the MAS of his intention to enter into the agreement and obtaining the approval from the MAS to his entering into the agreement.

General Meetings of Our Shareholders

We are required to hold an annual general meeting every year. The SGX Board may convene an extraordinary general meeting whenever they think fit and must do so if shareholders representing not less than 10% of the total voting rights of all shareholders request in writing that such a meeting be held. In addition, two or more shareholders holding not less than 10% of our issued share capital may call a meeting.

Unless otherwise required by law or by our Articles of Association, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at that meeting. An ordinary resolution suffices, for example, for the appointment of directors. A special resolution, requiring the affirmative vote of at least 75% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including:

- voluntary winding up;
- amendments to our Memorandum of Association and our Articles of Association;
- a change of our corporate name; and
- a reduction in our share capital, share premium account or capital redemption reserve fund.

We must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing. The notice must be given to every shareholder who has supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

Voting Rights

A shareholder is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be a shareholder. A shareholder may appoint not more than two proxies to attend and vote at the same general meeting. In the event that our shares are listed on the SGX-ST and for so long as they are listed, a person who holds our shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a shareholder if his name appears on the Depository Register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles of Association, two or more shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles of Association:

- on a show of hands, every shareholder present in person and by proxy shall have one vote; and
- on a poll, every shareholder present in person or by proxy shall have one vote for each share which he holds or represents.

A poll may be demanded in certain circumstances, including:

- by the Chairman of the meeting;
- by any two shareholders present in person or by proxy and entitled to vote; or
- by any shareholder present in person or by proxy and representing not less than 10% of the total voting rights of all shareholders having the right to attend and vote at the meeting.

However, no poll may be demanded on a question of the choice of the Chairman of the meeting or on a question of adjournment of the meeting. In the case of a tie vote, whether on a show of hands or a poll, the Chairman of the meeting shall be entitled to a casting vote.

Dividends

We may, by ordinary resolution of our shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by the SGX Board.

We must pay all dividends out of our profits; however, we may capitalize our share premium account and apply it to pay dividends, if such dividends are satisfied by the issue of shares to our shareholders. See “—Bonus and Rights Issues” below.

All dividends we pay are pro rata in amount to our shareholders in proportion to the amount paid up on each shareholder's shares, unless the rights attaching to an issue of any share provides otherwise.

Dividends may be paid by cheque or warrant sent through the post to each shareholder at his registered address.

Notwithstanding the foregoing, in the event that our shares are listed on the SGX-ST and for so long as they are listed, the payment by us to CDP of any dividend payable to a shareholder whose name is entered into the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that shareholder in respect of that payment.

Bonus and Rights Issues

The SGX Board may, with approval by our shareholders at a general meeting, capitalize any reserves or profits (including profit or moneys carried and standing to any reserve or to the share premium account) and distribute the same as bonus shares credited as paid-up to our shareholders in proportion to their shareholdings.

The SGX Board may also issue rights to take up additional shares to shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue. In the event that our shares are listed on the SGX-ST and for so long as they are listed, such rights are also subject to the regulations of any stock of exchange on which we are listed.

Variation of Rights

Under our Articles of Association, the rights attached to any class of our shares may be varied or abrogated either with the consent in writing of the holders of three quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The quorum for such separate general meeting is two persons holding or representing by proxy at least one third in nominal value of the issued shares of that class. Any holder of shares of that class may demand a poll and every such holder shall on a poll have one vote for every share of that class held by him or her. Where the necessary majority for a special resolution is not obtained at such general meeting, consent in writing from the holders of three quarters in nominal value of the issued shares of that class obtained within two months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting.

Takeovers

As noted above under “—New Shares” and “—Transfer of Shares,” the Merger Act requires prior approval by the MAS of any acquisition of shares resulting in the ownership of 5% or more of our outstanding shares. In addition, the Companies Act and the Singapore Code on Takeovers and Mergers regulate the acquisition of ordinary shares of public companies and contain certain provisions that may delay, deter or prevent a future takeover or change in control of our company. Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 25% or more of the voting shares in our company must extend a takeover offer for the remaining voting shares in accordance with the provisions of the Singapore Code on Takeovers and Mergers. “Parties acting in concert” include:

- a company and its related and associated companies;
- a company and its directors (including their relatives);
- a company and its pension funds;
- a person and any investment company, unit trust or other fund whose investment such person manages on a discretionary basis; and
- a financial advisor and its clients in respect of shares held by the financial advisor and shares held by funds managed by the financial advisor on a discretionary basis.

An offer for consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the preceding 12 months. A person is also required to make a mandatory takeover offer if he holds, either on his own or together with parties acting in concert with him, between 25% and 50% of the voting shares, and acquires additional voting shares representing more than 3% of the voting shares in any 12-month period.

Liquidation or Other Return of Capital

If we liquidate or in the event of any other return of capital, our shareholders will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

Indemnity

As permitted by Singapore law, our Articles of Association provide that, subject to the Companies Act, the SGX Board and our officers shall be entitled to be indemnified by us against any liability incurred in defending any proceedings, whether civil or criminal:

- which relate to anything done or omitted to have been done as an officer, director or employee; and

- in which judgment is given in their favor or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court.

We may not indemnify our directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to us.

Limitations on Rights to Hold or Vote Shares

The Merger Act provides that the MAS may issue directives to SGX regarding its governance and other matters. Such directives could have the effect of limiting or overriding the exercise of voting rights by shareholders.

The Merger Act also provides that the Selling Shareholder may not exercise voting rights of our shares held by it for the benefit of the FSDF.

Except for the above and as described in “—Voting Rights” and “—Takeovers” above, Singapore law and our Articles of Association do not impose any other limitations on the rights of non-resident shareholders to hold our shares or to vote.

Minority Rights

Section 216 of the Companies Act protects the rights of minority shareholders of Singapore-incorporated companies by giving the Singapore courts a general power to make any order, upon application by any of our shareholders, as they think fit to remedy any of the following situations:

- if our affairs are being conducted or the powers of the SGX Board are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of our shareholders; or
- if we take an action, or threaten to take an action, or our shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our shareholders, including the applicant.

Singapore courts have wide discretion as to the relief they may grant and that relief is in no way limited to that listed in the Companies Act itself. Without prejudice to the foregoing, Singapore courts may:

- direct or prohibit any act or cancel or vary any transaction or resolution;
- regulate the conduct of our affairs in the future;
- authorize civil proceedings to be brought in our name, or on our behalf, by a person or persons and on such terms as the courts may direct;
- direct us or some of our shareholders to purchase a minority shareholder’s shares and, in the case of our purchase of shares, a corresponding reduction of our share capital;
- direct that our Memorandum of Association and our Articles of Association be amended; and
- direct that we be wound up.

Merger Act

Section 8(1) of the Merger Act requires our company to make a single offer of shares to SEL Holdings Pte Ltd, being the special purpose company referred to in the Merger Act, of such number of our shares for subscription, at such par value, as the Minister under the Merger Act may, by notice in writing, direct. See “The Merger.”

THE REPUBLIC OF SINGAPORE

The information in this section has been extracted from published sources and has not been independently verified by us.

The Country

The Republic of Singapore is situated on the southern tip of the Malay Peninsula and has a total land area of approximately 648.1 sq. km. Singapore has a population of about 3,865,600 of which approximately 77% are Chinese, 14% are Malays, 7.6% are Indians and 1.4% are of other ethnicities. The official languages of Singapore are Malay, Mandarin, Tamil and English. English is the language of administration and the predominant language of commerce. The population has a literacy rate of approximately 93%.

Singapore was established as a trading station by Sir Thomas Stamford Raffles of the East India Company in 1819. In 1826, along with Penang and Malacca, Singapore became a British Crown Colony under the name of "Straits Settlements." Following World War II, Singapore became a separate Crown Colony while Penang and Malacca were incorporated into the Federation of Malaya. In June 1959, Singapore became a self-governing democracy within the British Commonwealth and in June 1963, it joined the Federation of Malaya, Sarawak and North Borneo to form Malaysia. Singapore became a sovereign, independent nation on August 9, 1965 after separating from Malaysia.

Singapore is a republic with a parliamentary system of government. Singapore maintains close ties with other Southeast Asian countries, through bilateral relationships and through its membership in the economic and political association known as the Association of Southeast Asian Nations or ASEAN. Singapore enjoys good relations with the United States, China, Japan and Western European nations. Closer relations between Singapore and Russia and other Eastern European countries are also being developed. Singapore is a member of the United Nations as well as international organizations such as the International Monetary Fund, the International Bank for Reconstruction and Development, the Asian Development Bank, the Asia-Pacific Economic Cooperation and the British Commonwealth. Singapore is a signatory to the General Agreement on Tariffs and Trade and a member of the World Trade Organization.

The Economy

Singapore has an urban economy whose largest sectors are manufacturing, finance and trade. Given the small size of its economy, Singapore produces goods and services for external markets. Exports in value terms amount to some 130% of gross domestic product, or GDP. Singapore does not have any significant natural resources, other than a deep water harbor. However, a strategic geographical location, together with a well developed infrastructure and political stability, have made it an international business and financial center.

The following table sets forth key economic indicators of the Singapore economy for 1994 to 1999.

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
GDP at 1990 market prices (S\$m)	94,368	102,531	109,573	119,835	120,316	128,767
% change from prior year	10.5%	8.7%	6.9%	8.4%	0.4%	5.4%
GDP at current prices (S\$m)	188,217	120,704	130,775	140,466	138,529	143,981
% change from prior year	14.7%	11.5%	8.3%	9.1%	(1.4)%	3.9%
Consumer Price Index (% change)	3.1%	1.7%	1.4%	2.0%	(0.3)%	0.4%
Unemployment (%)	2.0%	2.0%	2.0%	1.8%	3.2%	3.5%

Sources: Economic Survey of Singapore, 1994, 1995, 1996, 1997, 1998 and 1999.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to the Offering, there has been no market for our shares outside of Singapore and there can be no assurance that a significant market for the shares will develop or be sustained after the Offering. Future sales of substantial amounts of our shares in the market following the Offering could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through the sale of our shares.

After the Offering is completed, the Selling Shareholder will hold in the aggregate 291.7 million shares, assuming all the Shares in the Strategic Private Placement are sold and that there is no exercise of the over-allotment option. In connection with the Institutional Placement and the Retail Offer, we and the Selling Shareholder have entered into agreements with Merrill Lynch and DBS Bank which restrict our and the Selling Shareholder's ability to issue or transfer our shares. See "Plan of Distribution—No Sale of Similar Securities." Some of our existing shareholders have entered into an agreement with us, the Selling Shareholder, Merrill Lynch and CDP which restricts their ability to transfer our shares. See "Plan of Distribution—Strategic Private Placement."

Based on our discussions with the Selling Shareholder, we expect that the Selling Shareholder will earmark a portion of the shares they have retained following the Offering for sales to strategic investors.

CERTAIN INCOME TAX CONSEQUENCES

The following discussion is a summary of certain Singapore income tax, stamp duty and estate duty consequences and certain U.S. federal income tax consequences under present law of the purchase, ownership and disposition of the Shares. This discussion is based on current law and is for general information only. It addresses only purchasers who will hold Shares as capital assets and, in the case of the U.S. discussion, use the U.S. dollar as their functional currency. It does not address the tax treatment of investors subject to special rules including banks, dealers, insurance companies, tax-exempt entities, holders of 10% or more of our company's voting shares, and persons holding Shares as part of a hedge, straddle, conversion or constructive sale transaction. It does not address state, local and foreign tax consequences of ownership and disposition of the Shares. This summary is not a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Shares. Prospective purchasers of the Shares should consult their own tax advisor concerning the tax consequences of their particular situations.

The discussion is based upon laws and relevant interpretation thereof in effect as of the date of this prospectus, all of which are subject to change, possibly with retroactive effect.

Each prospective purchaser is advised to consult its tax advisors about the particular tax consequences to it of an investment in our shares.

Singapore Taxation

The following discussion describes the material Singapore income tax, stamp duty and estate duty consequences of the purchase, ownership and disposal of our shares.

Income Tax

General. Singapore resident taxpayers, which include individuals who are residing in Singapore and companies which are controlled or managed in Singapore, are subject to Singapore income tax on:

- income that is accrued in or derived from Singapore; and
- foreign income received or deemed to be received in Singapore.

A company will be resident in Singapore if control and management of its business is exercised in Singapore. A company will usually be regarded as being resident in Singapore if the company's board of directors meet in Singapore to discuss overall management policy and high-level business matters in relation to the business of the company. An individual will be resident in Singapore if he resides in Singapore (except for temporary absences from Singapore) or if he is physically present or exercises an employment (other than as a director of a company) in Singapore for 183 days or more during the calendar year preceding the year of assessment.

Non-resident corporate taxpayers, subject to certain exceptions, are also subject to Singapore income tax on:

- income that is accrued in or derived from Singapore; and
- foreign income received or deemed to be received in Singapore.

The corporate tax rate in Singapore is currently 25.5%.

Non-resident individuals, subject to certain exceptions, are subject to Singapore income tax only on income accruing in or derived from Singapore.

Subject to any applicable tax treaty, non-resident taxpayers are subject to a withholding tax of 25.5% in respect of income derived from technical or management services provided in Singapore, or generally 15% in

the case of interest, royalty and rental of movable property income for non-residents who do not carry on a business in Singapore or have no permanent establishment in Singapore.

Gains on disposal of the Shares. Singapore currently does not have a capital gains tax regime. However, capital gains may be construed to be income and subject to Singapore income tax if:

- they arise from activities which the Inland Revenue Authority of Singapore regards as the carrying on of a trade or business in Singapore; or
- they are short-term (that is, the asset was held for less than three years) investment gains from the sale of real property and shares in unlisted companies with substantial real property or real property related assets in Singapore.

Any profits from the disposal of our shares are not taxable in Singapore unless the seller is regarded as carrying on a trade in our shares in Singapore, in which case, the disposal profits would be taxable as trading income.

Dividend Distributions. Dividends, either in cash or in any other form, received in respect of our shares by either a resident or non-resident of Singapore are not subject to Singapore withholding tax.

Shareholders are taxed in Singapore on the gross amount of dividends (that is, the cash amount of the dividend plus the amount of corporate tax paid by our company on the profits out of which those dividends are paid). Under Singapore's dividend imputation system, the tax paid by our company at the prevailing corporate rate of 25.5% is deemed to be paid by its shareholders and thus, its shareholders receive dividends net of the tax paid by the company. The corporate tax paid by our company will be available to holders of our shares as a tax credit to offset the income tax liability on their overall income subject to Singapore income tax (including the gross amount of dividends).

When dividends are paid to the shareholders, pursuant to Singapore's dividend imputation system, the shareholder will receive, in addition to the net dividend, a tax credit based on the dividend amount received. The tax credit will reflect the amount of tax paid by the company on the profits from which the dividend income is declared by the company and received by the shareholder. The tax credit can be used to offset the shareholder's tax liability. If the amount of Singapore tax payable by the shareholder is less than the tax credit, the shareholder will be entitled to a refund on the difference from the Inland Revenue Authority of Singapore.

A shareholder who is not a tax resident of Singapore will be taxed at the same rate on which the credit is computed. Consequently, non-resident shareholders will not need to pay any further tax on dividends received.

Dividends declared out of the tax-exempt profit by the company will be exempted from tax in the hands of shareholders who are Singapore tax residents. This would also, in general, be applicable to foreign shareholders. However, foreign shareholders are advised to consult their own tax advisors to take into account the tax laws of their respective countries of residence and the existence of any double taxation agreement which their country of residence may have with Singapore.

Where our company receives foreign dividends for which a tax credit has been allowed, the dividend payments from these foreign dividends to the holders of our shares will be exempt from tax. The tax credit could be obtained pursuant to a double tax treaty with one of Singapore's treaty partners or it could be unilaterally granted under the Singapore Income Tax Act. Where the credit is available under any of the options above, a special account is to be created for the purposes of ensuring that the payment of exempt dividends is restricted to the amount of the dividends for which foreign tax credit has been allowed.

Stamp duty

No stamp duty is payable on the allotment or holding of our shares.

Stamp duty is payable on the instrument of transfer of our shares at the rate of S\$2.00 for every S\$1,000 of the consideration for our shares. The purchaser is liable for stamp duty, unless otherwise agreed. No stamp duty is payable if no instrument of transfer is executed or if the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is received in Singapore.

The above stamp duty is not applicable to electronic transfers of shares through CDP. See “Business—Securities Market— Clearing and Settlement.”

Also, no stamp duty is payable on contract notes, defined as notes sent by brokers or agents to their principal, or share transactions.

Estate duty

Singapore estate duty is imposed on the value of certain movable and immovable property situated in Singapore and owned by individuals who are not domiciled in Singapore. Singapore estate duty is imposed on the value of immovable property situated in Singapore (subject to exemption limits) and on certain movable property, wherever it may be, owned by individuals who are domiciled in Singapore. Our shares are considered to be movable property situated in Singapore as our company is a company incorporated in Singapore.

Accordingly, shares held by an individual are subject to Singapore estate duty upon such individual’s death, whether or not such individual is domiciled in Singapore. Singapore estate duty is payable to the extent that the value of the shares aggregated with any other assets subject to Singapore estate duty exceeds S\$600,000. Unless other exemptions apply to the other assets, for example, the separate exemption limit for residential properties, any excess beyond S\$600,000 will be taxed at 5% on the first S\$12,000,000 of the individual’s Singapore chargeable assets and thereafter at 10%. Individuals, whether or not domiciled in Singapore, should consult their own tax advisors regarding the Singapore estate duty consequences of their ownership of the Shares.

Certain United States Federal Income Tax Considerations

The following summary describes the material United States federal income tax consequences relating to an investment in our shares as of the date hereof. The summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, existing final, temporary and proposed Treasury Regulations, rulings and judicial decisions, all as currently in effect and all of which are subject to prospective and retroactive changes. We will not seek a ruling from the Internal Revenue Service (the “IRS”) with regard to the United States federal income tax treatment relating to investment our shares and, therefore, there can be no assurance that the IRS will agree with the conclusions set forth below.

The summary does not purport to address all United States federal income tax consequences that may be relevant to a particular investor and you may want to consult your own tax advisor regarding your specific tax situation. The summary applies only to holders who hold shares as capital assets within the meaning of Code Section 1221, and does not address the tax consequences that may be relevant to investors in special tax situations including, for example:

- insurance companies;
- tax-exempt organizations;
- broker—dealers;
- traders in securities that elect to mark to market;
- banks or other financial institutions;
- investors whose functional currency is not the U.S. dollars;

- United States expatriates;
- investors that hold our shares as part of a hedge, straddle or conversion transaction; or
- holders that own, directly, indirectly, or constructively 10% or more of the total combined voting power of our shares.

Further, this summary does not address the alternative minimum tax consequences of an investment in shares or the indirect consequences to holders of equity interests in entities that own our shares. In addition, this summary does not address the state, local and foreign tax consequences of an investment in the Shares. You should consult your own tax advisor regarding the United States federal, state, local and other tax consequences of owning and disposing of our shares in your particular circumstances.

Taxation of U.S. Holders

You are a “U.S. Holder” if you are a beneficial owner of shares and you are:

- a citizen or resident of the United States;
- a corporation, or any other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof, including the District of Columbia;
- a person otherwise subject to United States federal income taxation on its worldwide income;
- an estate the income of which is subject to United States federal income tax regardless of its source; or
- a trust if (a) a court within the United States is able to exercise primary supervision over its administration and (b) one or more United States persons have the authority to control all substantial decisions of the trust.

If a partnership holds shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A prospective investor who is a partner of a partnership holding our shares should consult its own tax advisor.

A “Non-U.S. Holder” is a beneficial owner of shares that is not a U.S. Holder.

Distributions on Shares

Subject to the discussion under “—Passive Foreign Investment Company,” distributions made by us to a U.S. Holder with respect to shares generally will be taxable to such U.S. Holder as ordinary income when such U.S. Holder receives the dividend, actually or constructively, to the extent of our current or accumulated earnings and profits (as determined for United States federal income tax purposes). Distributions in excess of our current or accumulated earnings and profits will be treated first as a non-taxable return of capital reducing such U.S. Holder’s tax basis in the shares. Any such distribution in excess of such tax basis in the shares will be treated as capital gain and will be either long-term or short-term capital gain depending upon whether the U.S. Holder held the shares for more than one year.

Dividends paid by us generally will not be eligible for the dividends received deduction available to certain United States corporate shareholders under Code Sections 243 and 245.

The amount of any cash distribution paid in Singapore dollars will equal the U.S. dollar value of the distribution, calculated by reference to the exchange rate in effect at the time the dividends are received regardless of whether the payment is in fact converted to U.S. dollars at that time. A U.S. Holder should not recognize any foreign currency gain or loss if such foreign currency is converted into U.S. dollars on the date received. If the Singapore dollars are not converted into U.S. dollars on the date of receipt, however, gain or loss may be recognized upon a subsequent sale or other disposition of the Singapore dollars. Such foreign currency gain or loss, if any, will be United States source ordinary income or loss for United States federal income tax and foreign tax credit limitation purposes.

As noted above, Singapore taxes are paid by us and deemed to have been distributed to and paid by our shareholders. A U.S. Holder will not be subject to U.S. tax on such amounts, and will not be eligible for foreign tax credits for such amounts against such U.S. Holder's United States federal income tax liability. Dividends received with respect to the shares will be treated as foreign source income, which may be relevant in calculating such U.S. Holder's United States foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends paid with respect to the shares generally will constitute "passive income" or, in the case of certain holders, "financial services income."

Sale or Exchange of Shares

Subject to the Discussion under "—Passive Foreign Investment Company," a U.S. Holder will generally recognize capital gain or loss for United States federal income tax purposes upon the sale or exchange of the shares measured by the difference between the U.S. dollar value of the amount received and the U.S. Holder's tax basis (determined in U.S. dollars) in the Shares. Such gain or loss will be long-term capital gain or loss if the shares have been held by a U.S. Holder for more than one year. In general, any capital gain or loss recognized upon the sale or exchange of shares by a U.S. Holder will be treated as United States source income or loss, as the case may be, for United States foreign tax credit purposes. Your ability to deduct capital losses is subject to limitations.

Passive Foreign Investment Company

U.S. Holders generally will be subject to a special, adverse tax regime that would differ in certain respects from the tax treatment described above if we are, or were to become, a passive foreign investment company ("PFIC") for U.S. federal income tax purposes. Although the determination of whether a corporation is a PFIC is made annually, and thus may be subject to change, we do not believe that we will be a PFIC for U.S. federal income tax purposes.

We would be treated as a PFIC for United States federal income tax purposes with respect to a U.S. holder of shares if, for any taxable year during the U.S. Holder's holding period for the shares, (i) 75% or more of our gross income for the year was "passive income" or (ii) 50% or more of the value (generally measured by fair market value) of our assets for the year, determined on a quarterly average basis, was attributable to assets that produced or were held for the production of "passive income". For purposes of this test, we will be treated as directly owning its proportionate share of the assets of its subsidiaries (and any other corporation of which it owns at least 25% of the value of such corporation's stock, directly or indirectly) and directly receiving its proportionate share of the gross income of such subsidiaries. Passive income generally includes dividends, interest, royalties and rents (other than certain royalties and rents derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. Assets that generate passive income generally include cash and cash equivalents and investments.

If we are a PFIC, U.S. Holders, including some indirect U.S. Holders, will be subject to a special U.S. federal income tax regime with respect to certain distributions received from us and with respect to gain from the sale or disposition of shares. A U.S. Holder will be subject to different rules depending on whether the U.S. Holder makes an election to mark its shares to market (a "mark-to-market election") which can be made only as long as the shares are listed on the SGX-ST or another qualifying exchange, or, in the alternative, to treat us as a "Qualified Electing Fund" (a "QEF election") for the first taxable year in which the U.S. Holder owns shares (a "timely QEF election"). If a U.S. Holder makes a mark-to-market election or a timely QEF election (in each case, respectively, an "Electing Holder") certain tax penalty provisions that would otherwise apply to gain realized on the sale or disposition of shares will not apply to such holder.

Although we believe that we will not be a PFIC for U.S. federal income tax purposes, the matter is not free from doubt. The remainder of this discussion assumes that we are a PFIC for U.S. federal income tax purposes.

Taxation of U.S. Holders Making a Timely QEF Election

A U.S. Holder, including an indirect U.S. Holder, that makes a timely QEF election (an “Electing Holder” for purposes of this subsection) must report for U.S. federal income tax purposes its pro rata share of the “ordinary earnings” (*i.e.*, the net operating income determined under U.S. federal income tax principles) and the net capital gain, if any, whether or not distributed, of SGX for the taxable year of SGX that ends with or within the taxable year of such Electing Holder. The “net capital gain” of SGX is any excess of any net long-term capital gains over net short-term capital losses of SGX and is reported by the Electing Holder as long-term capital gain. Any net operating losses or net capital losses of SGX will not pass through to the Electing Holder and will not offset any ordinary earnings or net capital gains of SGX reportable to Electing Holders in subsequent years.

In general, an Electing Holder is not taxed twice on its share of the income of SGX. Thus, dividends received from us by an Electing Holder are excluded from the Electing Holder’s gross income to the extent of the Electing Holder’s inclusions of “ordinary income” and “net capital gain.” Distributions received by an Electing Holder in excess of such inclusions will decrease such holder’s tax basis in such holder’s shares. Distributions, if any, in excess of basis will be treated as capital gain.

An Electing Holder will recognize capital gain or loss on the sale or other disposition of shares that are held as capital assets in an amount equal to the difference between the amount realized for the shares and such holder’s tax basis in such shares. Such capital gain or loss will be short term or long term depending on the holder’s holding period for the shares.

Taxation of U.S. Holders Making a Mark-to-Market Election

A U.S. Holder, including an indirect U.S. Holder, that holds “marketable” stock in a PFIC may, in lieu of making a QEF election, avoid certain unfavorable consequences of the PFIC rules by making a mark-to-market election with respect to its shares (an “Electing Holder” for purposes of this subsection) as of the close of each taxable year. (This election may be made only as long as our shares are listed on the SGX-ST or another qualifying exchange.) Such an Electing Holder will be taxed on changes in the market value of its shares from time to time, whether or not the Electing Holder actually sells its shares. An Electing Holder will be required to include in income each year as ordinary income an amount equal to the excess, if any, of the fair market value of the shares at the close of the year over the Electing Holder’s adjusted tax basis in the shares. If, at the close of the year, the Electing Holder’s adjusted tax basis in its shares exceeds the fair market value of its shares, then the Electing Holder may deduct any such excess from ordinary income, but only to the extent of net mark-to-market gains previously included in income.

Any gain from the actual sale of the shares will be treated as ordinary income, and any loss will be treated as ordinary loss to the extent of net mark-to-market gains previously included in income.

The mark-to-market election is made with respect to marketable stock in a PFIC on a shareholder-by-shareholder basis and, once made, can only be revoked with the consent of the IRS. Under Treasury Regulations published in January, 2000, the term “marketable stock” includes stock of a PFIC that is “regularly traded” on a qualified exchange or other market. For these purposes, a class of stock is regularly traded on a qualified exchange or other market for any calendar year in which such class of stock is traded (other than in *de minimis* quantities) on at least 15 days during each calendar quarter. It is expected that our shares will be treated by the IRS as marketable stock for these purposes, but we cannot be certain that this will be the case.

Making a Timely QEF or Mark-to-Market Election.

A U.S. Holder makes a QEF or mark-to-market election for a taxable year by completing Form 8621 with respect to SGX in accordance with the instructions thereto and applicable Treasury Regulations. We intend to furnish any U.S. Holders with information needed in order to complete Form 8621 within 60 days after the end of any calendar year, commencing at the end of the 2000 calendar year, provided such holder makes a written request to our company within 15 days after the end of any calendar year.

Taxation of U.S. Holders not Making a Timely QEF or Mark-to-Market Election.

A U.S. Holder of shares who does not make a timely QEF or a mark-to-market election (in each case respectively, a “Non-Electing Holder”) will generally be subject to special rules with respect to “any excess distribution” from us and any gain realized on the sale or other disposition of the shares. Under these rules, (i) the excess distribution, defined as a distribution greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or the U.S. Holder’s holding period for the shares, or gain would be allocated ratably over the U.S. Holder’s holding period for the shares, (ii) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we were a PFIC would be taxed as ordinary income, (iii) the amount allocated to each other year during the U.S. Holder’s holding period would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year and (iv) an interest charge for the deemed benefit of the deferral of taxes would be imposed with respect to the resulting tax attributable to each such other year.

U.S. Holders and prospective investors should consult their own tax advisers as to their eligibility to make a QEF or mark-to-market election with respect to our shares, the advisability of making such alternative elections and the effect of the PFIC rules on their ownership, sale or other disposition of our shares.

Taxation of Non-U.S. Holders

Distributions on Shares

Non-U.S. Holders generally will not be subject to United States federal income tax or withholding tax on dividends received from us with respect to shares, unless such income is considered effectively connected with the conduct by a Non-U.S. Holder of a United States trade or business (and, if an income tax treaty applies, such income is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States).

Sale or Exchange of Shares

Non-U.S. Holders generally will not be subject to United States federal income tax on any gain realized upon the sale or exchange or other disposition of shares, unless:

- such gain is effectively connected with such Non-U.S. Holder’s conduct of a United States trade or business (and if an income tax treaty applies, is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States); or
- if such Non-U.S. Holder is an individual that is present in the United States for 183 days or more during the taxable year of disposition and certain other conditions are met.

If such Non-U.S. Holder is engaged in a United States trade or business, the income from the shares (including dividends and the gain from the sale or exchange thereof) that is effectively connected with the conduct of such trade or business will generally be subject to regular United States federal income tax on such income in the same manner as discussed in the previous section. In addition, if you are a corporate Non-U.S. Holder, your earnings and profits that are attributable to such effectively connected income (subject to certain adjustments) may be subject to an additional branch profits tax at a rate of 30% (or such lower rate as may be specified by an applicable treaty).

Backup Withholding and Information Reporting

In general, dividend payments, or other taxable distributions, made within the United States to you will be subject to information reporting requirements and backup withholding tax at the rate of 31% if you are a non-corporate United States person and you:

- fail to provide an accurate taxpayer identification number;

- are notified by the IRS that you have failed to report all interest or dividends required to be shown on your federal income tax returns; or
- in certain circumstances, fail to comply with applicable certification requirements.

Non-U.S. persons may be required to establish their exemption from information reporting and backup withholding by certifying their status on IRS Form W-8BEN.

If you sell your shares to or through a United States office of a broker, the payment of the proceeds is subject to both United States backup withholding and information reporting unless you certify that you are a non-U.S. person, under penalties of perjury, or you otherwise establish an exemption. If you sell your shares through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to you outside the United States then information reporting and backup withholding generally will not apply to that payment. However, United States information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made to you outside the United States, if you sell your shares through a non-U.S. office of a broker that is a U.S. person or has certain other contacts with the United States.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the United States IRS.

CLEARING AND SETTLEMENT

Our shares will be traded under the book-entry settlement system of CDP and all dealings in and transactions of our shares through the SGX-ST will be effected, in accordance with the terms and conditions for the operation of securities accounts with CDP, as amended from time to time.

Our Shares will be registered in the name of CDP and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents, Securities Accounts with CDP. Persons named as direct Securities Account holders and Depository Agents in the Depository Register maintained by CDP, rather than CDP, will be treated, under the Companies Act and our Articles of Association, as our shareholders in respect of the number of shares credited to their respective securities accounts.

Persons holding our shares in a securities account with CDP may withdraw the number of shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on the SGX-ST, although they will constitute evidence of title and may be transferred in accordance with our Articles of Association. A fee of S\$10.00 for each withdrawal of 1,000 shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 shares is payable upon withdrawing our shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2.00 is payable to our share registrar for each share certificate issued, and a stamp duty of S\$10.00 is also payable where our shares are withdrawn in the name of the person withdrawing our shares, or S\$2 per S\$1,000 or part thereof of the last-transacted price where our shares are withdrawn in the name of a third party.

Persons holding physical share certificates who wish to trade on the SGX-ST must deposit their share certificates with CDP together with the duly executed instruments of transfer in favour of CDP, and have their respective securities accounts credited with the number of our shares deposited before they can effect the desired trades. A fee of S\$10.00 is payable upon the deposit of each instrument of transfer with CDP. A fee of S\$10.00 is also chargeable as stamp duty on each instrument of transfer.

Transactions in our shares under CDP's book entry settlement system will be reflected by the seller's Securities Account being debited with the number of our shares sold and the buyer's Securities Account being credited with the number of our shares acquired. No transfer stamp duty is currently chargeable for the transfer of our shares that are settled on a book-entry basis.

A clearing fee for trades in our shares on the SGX-ST is payable at the rate of 0.05% of the transaction value, subject to a maximum of S\$100 per transaction. The clearing fee, deposit fee and share withdrawal fee are subject to Singapore Goods and Services Tax of 3%.

Dealings of our shares will be carried out in Singapore dollars and will be effected for settlement in CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third market day following the transaction date. CDP holds securities on behalf of investors in securities accounts. An investor may open a direct account with CDP or a sub-account with any CDP Depository Agent. A CDP Depository Agent may be a member company of SGX-ST, bank, merchant bank or trust company.

If a shareholder takes delivery of shares in certificated form, such certificate may contain legends setting forth restrictions on transfer. See "Notice to Investors—Share Certificates."

NOTICE TO INVESTORS

Because of the following restrictions, purchasers are advised to consult legal counsel before making any offer, resale, pledge or transfer of our shares.

The Shares have not been registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except (i) in compliance with the registration requirements of the U.S. Securities Act and all other applicable securities laws, or (ii) pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws. Accordingly, the Shares are being offered and sold only (i) to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A under the U.S. Securities Act and (ii) outside the United States in accordance with Regulation S under the U.S. Securities Act.

No actions have been taken to register or qualify the Shares offered by this prospectus or otherwise to permit an offer to the public of the Shares in any jurisdiction outside Singapore.

General

All purchasers of Shares in the Offering are deemed to make the representations and agreements set forth below under “Shares Offered in the United States,” if such purchaser is in the United States, or under “Shares Offered Outside the United States,” if such purchaser is outside the United States, as the case may be. In addition:

- (i) persons who are shareholders of SGX as of October 20, 2000 and who wish to purchase Shares in the Strategic Private Placement are deemed to make the additional representations and agreements set forth below under “Additional Restrictions on Existing Shareholder Purchasers;” and
- (ii) purchasers of Shares in the Strategic Private Placement (other than those described in clause (i) above) are deemed to make the additional representations and agreements set forth below under “Additional Restrictions on Purchasers in the Strategic Private Placement.”

Shares Offered in the United States

Each purchaser of Shares in the United States will be deemed to have represented and agreed as follows:

1. The purchaser is a qualified institutional buyer as defined in Rule 144A (“QIB”) under the U.S. Securities Act, is aware that the sale to it is being made in reliance upon an exemption from the registration requirements of the U.S. Securities Act under Rule 144A under the U.S. Securities Act and is acquiring the Shares for its own account or for the account of another QIB.

2. The purchaser understands that the Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Shares have not been and will not be registered under the U.S. Securities Act and that if it decides to offer, sell or otherwise transfer the Shares at any time prior to the date which is two years after the later of the date of original issue of the Shares and the last date that SGX or any affiliate of SGX was the owner of the Shares, the Shares may be offered, sold, or otherwise transferred only (i) outside the United States in an offshore transaction complying with the provisions of Rule 903 or Rule 904 under the U.S. Securities Act (ii) for so long as the Shares are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB and to whom notice is given that the transfer is being made in reliance on Rule 144A, (iii) pursuant to an exemption from the registration requirements of the U.S. Securities Act provided by Rule 144 under the Securities Act (if available), or (iv) pursuant to an effective registration statement under the U.S. Securities Act, and in each of cases (i) through (iv) in accordance with any applicable securities laws of any non-U.S. jurisdiction or any State of the United States.

3. The purchaser acknowledges that SGX, the Selling Shareholder, the Strategic Private Placement Agent, the Global Coordinators and the Underwriters and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Shares Offered Outside the United States

Each purchaser of Shares offered outside the United States will be deemed to have represented and agreed as follows:

1. The purchaser, and the person, if any, for whose account it is acquiring Shares, is not a U.S. person and is purchasing such Shares in an offshore transaction pursuant to Regulation S.

2. The purchaser understands that the Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, and that the Shares have not been and will not be registered under the U.S. Securities Act. The purchaser further understands and agrees that prior to the expiration of the distribution compliance period (defined as 40 days after the closing date of the placement), such Shares may not be offered, sold or otherwise transferred except (i) outside the United States in an offshore transaction complying with the provisions of Rule 903 or 904 under the U.S. Securities Act or (ii) for so long as the Shares are eligible for resale pursuant to Rule 144A under the Securities Act, to a person it reasonably believes is a qualified institutional buyer as defined in Rule 144A (“QIB”) that purchases for its own account or for the account of a QIB and to whom notice is given that the transfer is being made in reliance on Rule 144A.

3. The purchaser acknowledges that SGX, the Selling Shareholder, the Strategic Private Placement Agent, the Global Coordinators and the Underwriters and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Additional Restrictions on Existing Shareholder Purchasers

In addition to the foregoing restrictions under “—General,” persons who are registered as shareholders of SGX as of October 20, 2000 (or who have prior to such date purchased shares and the relevant transfer form has been lodged with the Share Registrar on or prior to October 20, 2000) who want to purchase Shares in the Strategic Private Placement (such persons herein “Existing Shareholder Purchasers”) must agree with the Selling Shareholder, among others, that they will not make any transfer of their existing shares (after giving effect to the Capital Restructuring) or the Shares purchased in the Strategic Private Placement at any time during the first 90 days after the closing date of the Offering (such period herein the “SPP Lock-Up Period”), and possibly commencing as of an earlier date, as described below.

In order to effectuate such restriction, each Existing Shareholder Purchaser shall be deemed to represent and agree with the Selling Shareholder, among others, as follows:

1. It understands and agrees that it may not make any transfer of its existing shares or the Shares purchased in the Strategic Private Placement at any time during the SPP Lock-Up Period.

2. It shall deposit its existing shares, as well as the Shares purchased by it in the Offering, in a Securities Account with CDP, and it shall be deemed to have irrevocably instructed CDP to transfer or credit all such shares to the “available balance” of its Securities Account and to have irrevocably agreed that such shares shall not be transferred to the “free balance” of its Securities Account (or to any other account) for the duration of the SPP Lock-up Period, it being understood that the terms “available balance” and “free balance” are used as defined in the rules of CDP.

Existing Shareholder Purchasers may also be required to sign a deed of undertaking to the Selling Shareholder, among others, and/or an acknowledgement of the foregoing restrictions prior to receiving delivery of their Shares, and to instruct any Depository Agent with whom they have a CDP securities sub-account, or other person holding shares on their behalf, to consent to the foregoing restrictions. The Selling Shareholder, among others, may require the foregoing transfer restrictions with respect to such shareholder’s existing shares to take effect immediately as of the signing of such deed of undertaking and/or acknowledgement, whether or not such Existing Shareholder Purchaser actually purchases Shares, in the Strategic Private Placement. See “Plan of Distribution.”

Additional Restrictions on Other Purchasers in the Strategic Private Placement

In addition to the foregoing restrictions under “General,” **purchasers of Shares in the Strategic Private Placement (other than those described under “Additional Restrictions on Existing Shareholder Purchasers”)** must agree with the Selling Shareholder that they will not make any transfer of their Shares at any time during the SPP Lock-Up Period (as described above under “Additional Restrictions on Existing Shareholder Purchasers”). In order to effectuate such restriction, each such purchaser in the Strategic Private Placement shall be deemed to represent and agree as follows:

1. it understands and agrees with the Selling Shareholder that it may not make any transfer of the Shares purchased by it at any time during the SPP Lock-Up Period;
2. if the Shares purchased by it are held in certificated form, the certificate shall bear a legend as follows:

THE ORDINARY SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE TRANSFERRED TO ANY PERSON PRIOR TO THE DATE WHICH IS NINETY DAYS AFTER THE CLOSING DATE OF THE OFFERING.

Such legend shall be in addition to any legend required pursuant to “Share Certificates” below;

3. if the Shares purchased by it are held in a Securities Account with CDP, such purchaser shall be deemed to have irrevocably instructed CDP to transfer or credit such shares to the “available balance” of its Securities Account and to have irrevocably agreed that such Shares shall not be transferred to the “free balance” of its Securities Account (or to any other account) for the duration of the SPP Lock-up Period, it being understood that the terms “available balance” and “free balance” are used as defined in the rules of CDP.

Purchasers of Shares in the Strategic Private Placement may also be required to sign an undertaking to the Selling Shareholder, among others, or an acknowledgement of the foregoing restrictions prior to receiving delivery of their Shares, and to instruct any Depository Agent with whom they have a CDP securities sub-account, or other person holding shares on their behalf, to consent to the foregoing restrictions. The Selling Shareholder shall determine whether the Shares are delivered to such purchasers in physical share certificates or through the facilities of CDP. The Selling Shareholder currently intends to deliver the Shares in physical share certificates.

Share Certificates

If any purchaser of Shares takes delivery of Shares in certificated form, such share certificate shall bear the following legend, unless otherwise agreed by the Company:

THE ORDINARY SHARES OF SINGAPORE EXCHANGE LIMITED REPRESENTED BY THIS CERTIFICATE (THE “SHARES”) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR ANY UNITED STATES SECURITIES LAW, AND ACCORDINGLY, MAY NOT BE OFFERED, SOLD, OR OTHERWISE TRANSFERRED AT ANY TIME PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE LATER OF THE DATE OF ORIGINAL ISSUE OF THE SHARES AND THE LAST DATE THAT THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THE SHARES EXCEPT (1) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) FOR SO LONG AS THE SHARES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED UNDER RULE 144A (“QIB”) THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB AND TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN ACCORDANCE WITH EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144 (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY JURISDICTION OUTSIDE THE UNITED STATES OR ANY STATE OF THE UNITED STATES.

IN CONNECTION WITH AND AS A CONDITION TO REGISTERING ANY TRANSFER OF ANY ORDINARY SHARE MADE PURSUANT TO CLAUSE (3) ABOVE, THE COMPANY MAY REQUIRE AN OPINION OF COUNSEL OR OTHER EVIDENCE SATISFACTORY TO IT OF COMPLIANCE WITH THE FOREGOING REQUIREMENTS.

In addition, if the holder of such Shares is subject to the restrictions set forth under “Additional Restrictions on Existing Shareholder Purchasers” or “Additional Restrictions on Other Purchasers in the Strategic Private Placement,” such share certificate shall also bear the following legend:

THE ORDINARY SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE TRANSFERRED TO ANY PERSON PRIOR TO THE DATE WHICH IS NINETY DAYS AFTER THE CLOSING DATE OF THE OFFERING.

Transfers

Any sale, pledge or other transfer, or attempted sale, pledge or other transfer, made other than in compliance with the above-stated restrictions shall not be recognized by SGX.

PLAN OF DISTRIBUTION

The Selling Shareholder is offering a total of 428,000,000 Shares in the Offering. The Offering consists of the Invitation and the Strategic Private Placement.

The Offering Price will be identical in the Invitation and the Strategic Private Placement. The closings under the Purchase Agreement and the Retail Offer Agreement for the Invitation are conditional on one another and will take place at the same time. We and the Selling Shareholder currently expect that the closing of any sales under the Strategic Private Placement will occur at the same time as the closing of the Retail Offer and the Institutional Placement. However, the Selling Shareholder reserves the right to close sales under the Strategic Private Placement whether or not the closings of the Retail Offer and the Institutional Placement have occurred, in which case purchasers of such Shares will be advised by means of a supplement to this document. Because the Shares offered in the Strategic Private Placement are being offered on a best efforts basis, there is no assurance all such Shares will be sold, and the sale of all or any of such Shares is not a condition to the closing of the Retail Offer or the Institutional Placement.

The Invitation

The Invitation consists of the Institutional Placement and the Retail Offer. Merrill Lynch and DBS Bank are acting as Global Coordinators for the Institutional Placement and as Joint Lead Managers for the Retail Offer.

Institutional Placement

Subject to the terms and conditions set forth in a purchase agreement dated the date of this prospectus (the “Purchase Agreement”) between us, the Global Coordinators and the Selling Shareholder, the Selling Shareholder has agreed to sell and the Global Coordinators have agreed to purchase and procure purchasers for the number of Shares set forth opposite their names below. The Global Coordinators will purchase the Shares from the Selling Shareholder at the Offering Price less an underwriting commission of 2.75% of the Offering Price.

<u>Global Coordinator</u>	<u>Number of Shares</u>
Merrill Lynch	95,000,000
DBS Bank	95,000,000
Total	190,000,000

The Global Coordinators have agreed, subject to the terms and conditions of the Purchase Agreement, to purchase all the Shares being sold pursuant to the Purchase Agreement, if they purchase any of them. If a Global Coordinator defaults, the Purchase Agreement provides that the purchase commitment of the non-defaulting Global Coordinator may be increased or the Purchase Agreement may be terminated.

The obligations of the Global Coordinators to purchase the Shares are subject to approval of certain legal matters by counsel and certain other conditions.

Retail Offer

The Joint Lead Managers and the Underwriters have entered into an agreement (the “Retail Offer Agreement”) dated the date of this prospectus with us and the Selling Shareholder providing for the offer and sale of 88,000,000 Shares (including reserved Shares, as described below) in a public offer in Singapore. Pursuant to the Retail Offer Agreement, the Joint Lead Managers are acting as representatives of the

Underwriters named below. Pursuant to the Retail Offer Agreement, the Underwriters have agreed to purchase or procure purchasers for Shares at a purchase price equal to the Offering Price less an underwriting commission and brokerage of 2.25% of the Offering Price.

<u>Underwriters</u>	<u>Number of Shares</u>
Merrill Lynch	25,150,000
DBS Bank	25,150,000
Co-underwriters (in the aggregate)	<u>37,700,000</u>
Total	88,000,000

Each of the Co-underwriters is obligated to purchase or procure purchasers for 1,300,000 Shares except that ABN AMRO Asia Merchant Bank (Singapore) Limited and N M Rothschild & Sons (Singapore) Limited are obligated to purchase or procure purchasers for 650,000 Shares each. The obligations of the Underwriters to purchase the Shares are subject to the closing of the Institutional Placement.

Reserved Shares

At our request, the Selling Shareholder has agreed to direct the Joint Lead Managers to reserve 13,000,000 Shares to be offered in the Retail Offer for sale at the Offering Price to our employees and business associates and others who have contributed to our success and development and to the success and development of our subsidiaries. The number of Shares available for sale to the general public pursuant to the Retail Offer will be reduced to the extent these individuals purchase these reserved Shares. Any reserved Shares not so purchased will be released for sale by the Joint Lead Managers to the general public in the Retail Offer no later than the closing date of the Offering on the same terms as our other Shares offered by this prospectus. Reserved Shares purchased by these individuals will, except as restricted by applicable securities laws, be available for resale following the Offering.

Over-allotment Option; Reallocation

In connection with the Invitation, the Selling Shareholder has granted to the Global Coordinators an over-allotment option exercisable by Merrill Lynch, in consultation with DBS Bank, in whole or in part, on or before the date which is 30 days after the commencement of trading in our shares on the SGX-ST, to purchase up to an aggregate of 41,700,000 shares (which is equal in number to 15.0% of the total number of Shares offered in the Invitation) at the Offering Price, solely to cover over-allotments, if any.

The number of Shares actually allocated to the Institutional Placement and the Retail Offer may differ from the amount offered due to reallocation of Shares by the Global Coordinators and the Joint Lead Managers as between the Institutional Placement and the Retail Offer.

Price Stabilization

In connection with the Invitation, Merrill Lynch may, in consultation with DBS Bank, over-allot shares or effect transactions which stabilize or maintain the market price of our shares at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations. Such transactions, if commenced, may be discontinued at any time and shall not be effected after the earlier of (i) the date falling 30 days from the commencement of trading of our shares on the SGX-ST, or (ii) the date when the over-allotment of our shares which are subject to the over-allotment option has been fully covered (either through the purchase of our shares on the SGX-ST or the exercise of the over-allotment option by Merrill Lynch, or through both).

Neither we nor the Selling Shareholder or the Global Coordinators makes any representation or prediction as to the magnitude of any effect that the transactions described above may have on the price of our shares. In addition, neither we, the Selling Shareholder or the Global Coordinators makes any representation that the Global

Coordinators, will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice (unless such notice is required by law). Merrill Lynch, the stabilizing manager, will be required to make a public announcement through the SGX-ST on the cessation of stabilizing action and the amount of the over-allotment option that has been exercised not later than 8:30 a.m. on the next trading day of the SGX-ST after the cessation of stabilizing action.

SGX-ST Listing

We have received in-principle approval for the listing and quotation of our shares on the Main Board of the SGX-ST.

Prior to the Offering, there has been no active market for our shares.

We expect that the Selling Shareholder will sell the Shares offered in this prospectus on or about November 22, 2000. We expect that the shares will commence trading on the SGX-ST on a “when issued” basis on or about November 23, 2000 and on a “ready” basis on or about December 5, 2000.

Other

The Shares are offered in the Invitation in Singapore pursuant to this prospectus which has been registered as a prospectus with the Registrar of Companies and Businesses in Singapore. The Registrar of Companies and Businesses in Singapore takes no responsibility for the contents of this prospectus.

The Global Coordinators and the Underwriters have advised us and the Selling Shareholder that they propose initially to sell the Shares in the Invitation at the price listed on the cover page of this prospectus.

Strategic Private Placement

The Strategic Private Placement Agent has entered into an agreement (the “Placement Agreement”) dated the date of this prospectus with us and the Selling Shareholder pursuant to which the Strategic Private Placement Agent has agreed to act as placement agent on behalf of the Selling Shareholder in connection with the Strategic Private Placement. The Strategic Private Placement Agent will assist the Selling Shareholder in identifying prospective purchasers and making offers and sales of up to 150,000,000 Shares at the Offering Price on a best efforts basis, and it will receive a customary fee from the Selling Shareholder for such services. Under no circumstances is the Strategic Private Placement Agent obligated to purchase any of the Shares being offered in the Strategic Private Placement. Therefore, the Selling Shareholder may not sell all the Shares offered in the Strategic Private Placement.

The Selling Shareholder currently intends to make preferential allocations of the Shares offered in the Strategic Private Placement to any person who is registered as a shareholder of SGX on October 20, 2000 (or who has prior to such date purchased shares and the relevant transfer form has been lodged with the Share Registrar on or prior to October 20, 2000), in an amount equal to one-third of the number of shares such person holds on the record date of November 3, 2000 (such number of shares adjusted to take into account the effect of the Capital Restructuring), provided such person expresses an interest in receiving such preferential allocation and undertakes to the Selling Shareholder, among others, not to transfer any of our shares held by such person (including existing shares) at any time within the period commencing from the date of giving such undertaking and expiring on the 90th day after the close of the Offering, whether or not such person actually purchases Shares in the Strategic Private Placement. Such preferential allocation is not transferable by such person. Approximately 16.8% of the 1 billion shares outstanding (after giving effect to the Capital Restructuring and the subscription by the Selling Shareholder) will be subject to transfer restrictions pursuant to such undertakings. (In addition, all the shares offered in the Strategic Private Placement and the shares held by the Selling Shareholder after the Offering are subject to certain transfer restrictions as described elsewhere herein). The Strategic Private Placement Agent, the Global Coordinators and the Underwriters and their affiliates may be the beneficiaries of

such preferential allocation by virtue of their ownership of our shares. They may also purchase Shares in the Strategic Private Placement upon the terms disclosed in this prospectus. See “Notice to Investors—Additional Restrictions on Existing Shareholder Purchasers” for additional information on such transfer restrictions.

The Selling Shareholder reserves the right to withdraw, cancel or modify such offer and to reject offers in whole or in part.

No Sale of Similar Securities

In connection with the Invitation, the Selling Shareholder has agreed with Merrill Lynch and DBS Bank that for a period of 180 days following the date of admission of our shares to the Official List of the Main Board of the SGX-ST and without the prior written consent of Merrill Lynch and DBS Bank (such consent shall not be unreasonably withheld), the Selling Shareholder will not (in respect of our shares held by the Selling Shareholder immediately following the Offering):

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any of our shares or any securities convertible into or exercisable or exchangeable for our shares; or
- enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of any of our shares.

The restrictions on the Selling Shareholder described in the preceding paragraphs do not apply to:

- the sale by the Selling Shareholder of our shares under the over-allotment option;
- any stock borrowing arrangements between the Selling Shareholder and Merrill Lynch in connection with the over-allotment and stabilization transactions that Merrill Lynch may effect in connection with the Institutional Placement and the Retail Offer. See “—Price Stabilization;”
- transfers of our shares to and between wholly-owned subsidiaries of the Selling Shareholder; and
- transfers of our shares by the Selling Shareholder to a transferee who agrees with Merrill Lynch and DBS Bank to comply with these restrictions for the remainder of the 180-day period. In addition, in the case of any transfer by the Selling Shareholder, to the extent that after giving effect to such transfer, the Selling Shareholder would have transferred or disposed of in the aggregate more than 50% of our shares held by the Selling Shareholder immediately following the Offering, the transferee shall agree with Merrill Lynch and DBS Bank to comply with the restrictions applying to the Selling Shareholder for the second 180-day period described below with respect to those transferred shares.

After the end of such first 180-day period, the Selling Shareholder has further agreed with Merrill Lynch and DBS Bank, on the terms described above, to not transfer or dispose of more than 50% of our shares held by the Selling Shareholder immediately following the Offering for an additional 180 days (except for shares transferred to a transferee who agrees to comply with such restrictions as noted above).

In connection with the Invitation, we have agreed with Merrill Lynch and DBS Bank that for a period of 180 days following the date of admission of our shares to the Official List of the Main Board of the SGX-ST and without the prior written consent of Merrill Lynch and DBS Bank (such consent not to be unreasonably withheld), we will not issue, accept subscription for, offer, sell, contract to sell, grant or agree to grant any option or other right in or otherwise dispose of, directly or indirectly, conditionally or unconditionally, any of our shares (or any securities convertible into or exchangeable for our shares). This restriction does not apply to (i) the issuance of our shares to a subscriber who agrees with Merrill Lynch and DBS Bank to comply with these restrictions for the remainder of the 180-day period; or (ii) the issuance by us of shares underlying existing options, or the granting of new options or the issuance of shares underlying such options pursuant to the SGX Share Option Plan and our employment contract with our Chief Executive Officer described in “Management-Employment Agreements.”

Shares Not Registered in the United States

The Shares have not been and will not be registered under the U.S. Securities Act or any United States state securities laws and may only be offered and sold (1) to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) and (2) outside the United States in accordance with Regulation S under the U.S. Securities Act. The Shares will be subject to restrictions on resale. See “Notice to Investors.”

Selling Restrictions

No action has been or will be taken that would permit a public offering of the Shares, or the possession, circulation or distribution of this prospectus or any other material relating to SGX, in any jurisdiction outside of Singapore where action for that purpose is required. Accordingly, the Shares may not be offered to the public and sold, directly or indirectly, and neither this prospectus nor any other offering material or advertisements in connection with the Shares may be distributed or published, in or from any jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such jurisdiction.

Each of the Strategic Private Placement Agent, the Global Coordinators and the Underwriters has represented and agreed that:

- (1) it has not offered or sold and will not offer or sell any Shares to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which do not constitute an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (2) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom;
- (3) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the sale of the Shares to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 as amended by the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1997 or is a person to whom such document may otherwise be lawfully issued or passed on;
- (4) it has not offered or sold and will not offer or sell in Hong Kong by means of any document, any Shares other than to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent, or otherwise in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong;
- (5) it has not issued and will not issue any invitation or advertisement relating to the Shares in Hong Kong, except if permitted to do so under the securities laws of Hong Kong, other than with respect to the Shares intended to be disposed of outside Hong Kong, or to be disposed of in Hong Kong only to persons whose business involves the acquisition, disposal or holding of securities, whether as principal or as agent; and
- (6) except (i) under an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with applicable requirements of Japanese law:
 - (a) the Shares have not been and will not be registered under the Securities and Exchange Law of Japan; and
 - (b) it has not and will not offer or sell, directly or indirectly, any Shares in Japan or to or for the account of any resident of Japan.

Other

Merrill Lynch also advised us in connection with the Merger, for which it received customary fees. Low Check Kian, one of our directors, is the Vice Chairman of the Corporate and Institutional Client Group, Asia Pacific Region, for Merrill Lynch.

Some of the Global Coordinators and the Underwriters and their affiliates engage in transactions with, and perform services for, us in the ordinary course of business and have engaged, and may in the future engage, in commercial banking and investment banking transactions for us, for which they have received customary compensation. In addition, some of the affiliates of the Global Coordinators and the Underwriters are members of our exchanges. Some of the Global Coordinators and the Underwriters have, directly or indirectly, beneficial ownership of our shares as a result of the Merger. None of such shareholding amounts to a substantial shareholding.

Temasek Holdings (Private) Limited and its affiliates may purchase Shares in the Offering upon the terms described in this prospectus.

SGX has agreed to indemnify the Selling Shareholder and the Strategic Private Placement Agent, the Global Coordinators and the Underwriters from certain liabilities in connection with the Offering.

The aggregate expenses of the Offering are estimated at S\$18 million (inclusive of underwriting commissions) and are payable by the Selling Shareholder out of the proceeds of the Offering. See "Use of Proceeds."

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of (1) Singapore Exchange Limited as of June 30, 2000 and for the period commencing August 21, 1999 (date of incorporation) to June 30, 2000; (2) the Singapore Exchange Securities Trading Limited (formerly known as "Stock Exchange of Singapore Limited") as of and for the years ended June 30, 1998 and 1999, and as of November 30, 1999, and for the five months period then ended; (3) the Singapore Exchange Derivatives Trading Limited (formerly known as "Singapore International Monetary Exchange Limited") as of and for the years ended December 31, 1997, and 1998, and as of June 30, 1999 and November 30, 1999, and for the six months and five months period then ended, respectively; and (4) the Securities Clearing and Computer Services Pte Limited as of November 30, 1999 and the five month period then ended, included elsewhere herein, have been audited by PricewaterhouseCoopers, independent accountants, as stated in their reports appearing herein.

The financial statements of Securities Clearing and Computer Services Pte Limited as of June 30, 1998 and 1999 and the years then ended, included elsewhere herein, have been audited by Foo, Kon & Tan, independent accountants, as stated in their reports appearing herein.

The unaudited pro forma combined financial statements of Singapore Exchange Limited as of and for the years ended June 30, 1998, 1999 and 2000, included elsewhere herein, have been reviewed by PricewaterhouseCoopers, independent accountants, as stated in their report appearing herein.

LEGAL MATTERS

Certain legal matters with respect to the sale of the Shares will be passed upon for us and the Underwriters by Allen & Gledhill, Singapore as to matters of Singapore law and by Cravath, Swaine & Moore, Hong Kong and New York, New York as to matters of United States and New York law.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the U.S. Securities Act in connection with the sale of the Shares, we will furnish, upon request, to a holder or prospective purchaser or transferee of the Shares, the information required to be delivered under Rule 144A(d)(4) under the U.S. Securities Act, if at the time of the request we are neither a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934 (the "Exchange Act") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN SINGAPORE AND THE UNITED STATES

The following is a summary of certain significant differences between generally accepted accounting principles in Singapore (Singapore GAAP) and the United States (U.S. GAAP) as applicable to our company and our subsidiaries.

The audited consolidated financial statements of our company and our subsidiaries included elsewhere herein, are prepared and presented in accordance with Singapore GAAP, which differs in certain significant respects from U.S. GAAP. Summarized below are certain significant differences relating to the measurement of net income and shareholders' equity and the presentation of the basic financial statements, as relevant to our company's and our subsidiaries' financial information, between Singapore GAAP and U.S. GAAP which may exist. Such summary should not be construed to be exhaustive and no attempt has been made to quantify the differences in Singapore and U.S. GAAP. Investors should consult with their own advisors as to the significance of the described differences as well as other possible differences in relation to their investing decision. In addition, no attempt has been made to identify future differences between Singapore GAAP and U.S. GAAP as a result of prescribed changes in accounting standards that may affect our company's and our subsidiaries' financial statements. Regulatory bodies that promulgate Singapore GAAP and U.S. GAAP have significant ongoing projects that could affect future comparisons of Singapore GAAP and U.S. GAAP. Furthermore, no attempt has been made to identify all future differences between Singapore GAAP and U.S. GAAP that may affect our company's and our subsidiaries' financial statements as a result of transactions or events that may occur in the future.

Accounting for merger

Under Singapore GAAP, the net assets of the merged companies that were merged to form SGX, were recorded at their respective fair values by SGX. The difference between the ascribed value of the shares issued by SGX and the fair value of the net assets is reflected as a general reserve in shareholders' equity.

Under U.S. GAAP, in an acquisition, only the net assets of an acquired company are recorded at fair value. No fair value adjustment is recorded for the net assets of the company that is the accounting acquiror, that is, the company that obtains a controlling interest in the merged entity. Any goodwill arising on an acquisition is capitalized under U.S. GAAP and amortized over the estimated useful life of the goodwill.

Deferred income tax

Under Singapore GAAP, deferred tax assets are generally recognized only if there is a "reasonable expectation of realization". However, the potential future tax benefits related to a tax loss carry forward are only recognized as an asset if there is "assurance beyond any reasonable doubt" that future taxable income will be sufficient to allow the benefits to be realized, or to the extent of any deferred tax liability. Deferred tax assets, where recognized in Singapore GAAP, are off set against deferred tax liabilities, if any. Under U.S. GAAP, all deferred tax assets are recorded, and a valuation allowance is recognized when it is "more likely than not" that some portion or all of the deferred tax assets will not be realized. Under U.S. GAAP, deferred tax assets and liabilities are classified on the balance sheet, as current and long-term, on a gross basis.

Differences may arise between Singapore GAAP and U.S. GAAP as a result of the tax effect of other differences between Singapore GAAP and U.S. GAAP described herein.

Employee stock options

Singapore GAAP does not require the recognition of compensation expense relating to the grant of stock options to employees.

U.S. GAAP requires recognition of an expense relating to the grant of stock options to employees using the intrinsic value method if the fair value of the shares exceeds the exercise price on the date the stock options were granted. The expense is recorded as a deferral of compensation expense as a component of shareholders' equity and amortized over the vesting period of these options.

Depreciation

Under Singapore GAAP, depreciation need not be provided on land acquired on long-term leases.

U.S. GAAP requires leasehold properties to be amortized over the term of the relevant land leases.

Investments

Under Singapore GAAP, quoted current investments are marked to market, and the difference is recorded in the profit and loss account. Unquoted investments are stated at cost less provision for permanent diminution in the value of the investments. These provisions are recorded as expenses in the profit and loss account.

Under U.S. GAAP, equity and debt investments that have a readily determinable fair value are classified as trading, available-for-sale, or held-to-maturity securities. Equity and debt securities that are bought and held for the intention of selling them in the near term are classified as "trading securities" and reported at fair value, with unrealised gains and losses recorded in the income statement. Debt securities, which the management has the positive intent and ability to hold till maturity are classified as "held-to-maturity" securities and reported at amortized cost. Equity and debt securities not classified as any of the aforesaid are classified as "available-for-sale securities" and carried at fair value, with unrealised gains and losses excluded from operations and reported as a separate component of shareholders' equity.

Cash flow statements

Under Singapore GAAP, interest paid is classified as cash flows from financing activities. In addition, dividends and interest received are classified as cash flows from investing activities.

Under U.S. GAAP the payment of interest, as well as the receipt of dividends and interest are included as cash flows from operating activities.

Disclosures and classifications

The financial statements include all disclosures required by Singapore GAAP.

In addition to the measurement differences in net income and shareholder's equity, U.S. GAAP requires different or more detailed disclosures in areas such as related party transactions, segment reporting, deferred taxes, employee stock options, comprehensive income, restrictions on the utilization of components of shareholders' equity, and other areas. Additionally, certain balance sheet and profit and loss account items may be classified differently under U.S. GAAP compared to Singapore GAAP.

GLOSSARY

AMEX:	American Stock Exchange
API:	application program interface
Application Forms:	the printed application forms to be used for the purpose of the Invitation and which form part of this prospectus
Application List:	the list of applications for the purchase of the Invitation Shares
ASX:	Australian Stock Exchange
ATM:	automated teller machine
Capital Restructuring:	the restructuring of our share capital so as to (i) sub-divide each of our shares of par value S\$1.00 each into 100 shares of par value S\$0.01 each and (ii) distribute bonus shares on each existing share (as subdivided) in an amount equal to S\$50 divided by the Offering Price, minus 1, which has been approved by the shareholders at a shareholders' meeting on November 1, 2000
CDP:	The Central Depository (Pte) Limited, a wholly owned subsidiary of SGX
CLOB International:	a market with the Securities Market for the trading of international securities that are listed on foreign stock exchanges
CME:	Chicago Mercantile Exchange
Companies Act:	Companies Act, Chapter 50 of Singapore, as amended from time to time
Company:	Singapore Exchange Limited
CORE:	Clearing Operations and Risk Evaluation system
Co-underwriters:	ABN AMRO Asia Merchant Bank (Singapore) Limited BNP Paribas Peregrine Securities Pte. Ltd., BT Brokerage & Associates Pte Ltd, CLSA Singapore Pte Ltd, Credit Suisse First Boston (Singapore) Securities Pte Limited, Daiwa Securities SB Capital Markets Investment Services Pte Ltd, DMG & Partners Securities Pte Ltd, Fraser Securities Pte Ltd, G. K. Goh Stockbrokers Pte Ltd, Grand Orient Securities Pte Ltd, ING Barings South East Asia Limited,

Jardine Fleming Singapore Securities Pte Ltd,
 J. M. Sassoon & Co. (Pte) Ltd.,
 Kay Hian Private Limited,
 Keppel Securities Pte Ltd,
 Kim Eng Securities (Private) Limited,
 Lim & Tan Securities Pte Ltd,
 Lum Chang Securities Pte Ltd,
 Millennium Securities Pte Ltd,
 N M Rothschild & Sons (Singapore) Limited
 Nomura Securities Singapore Pte Ltd,
 OCBC Securities Private Limited
 Ong & Company Private Limited,
 OUB Securities Pte Ltd,
 Phillip Securities Pte Ltd,
 RHB-Cathay Securities Pte Ltd,
 Summit Securities (S) Pte Ltd,
 UBS Warburg & Associates (Singapore) Pte Ltd,
 UOB Securities Pte Ltd,
 Vickers Ballas & Co. Pte Ltd

DAs or Depository Agents: depository agents

DBS Bank: The Development Bank of Singapore Ltd

Depositor: an account holder or depository agent (but not a sub-account holder), as defined in the Companies Act

Derivatives Market: the operations of SGX-DT and SGX-DC. This term is also used to refer to the operations of SIMEX prior to the Merger.

direct account: a CDP account established in the name of a single investor that is not a sub-account of a Depository Agent

Directors: the directors of the Company as of the date of this prospectus, unless otherwise stated

DVP: delivery versus payment

ECNs: electronic communications networks

EGM: an extraordinary meeting of our shareholders held on November 1, 2000

Electronic Applications: applications for the Offer Shares made through an ATM of one of the Participating Banks or the Internet Banking web-sites of the relevant Participating Banks

EPS:	electronic payment for shares
ESA:	electronic share application
ETFs:	exchange traded funds
Executive Officers:	the executive officers of the Group named in the section “Management—Directors and Executive Officers”
FTA:	Futures Trading Act, Chapter 116 of Singapore
FSDF:	Financial Sector Development Fund
Global Coordinators:	The Development Bank of Singapore Ltd and Merrill Lynch (Singapore) Pte. Ltd.
Group:	the Company and its subsidiaries
HKEx:	Hong Kong Exchanges and Clearing Limited
Institutional Placement:	the placement by the Global Coordinators of 190,000,000 Shares to qualified institutional buyers within the United States in reliance on Rule 144A under the U.S. Securities Act and outside the United States (including investors in Singapore) in offshore transactions in accordance with Regulation S under the U.S. Securities Act and other applicable laws, upon the terms of and subject to the conditions set out in this prospectus
Invitation:	the Institutional Placement and the Retail Offer
Invitation Shares:	the 278,000,000 existing Shares which are the subject of the Invitation
IPE:	International Petroleum Exchange
ISV:	independent software vendors
IT Solutions Division:	the operations of SGX-ITS
Joint Lead Managers:	The Development Bank of Singapore Ltd and Merrill Lynch (Singapore) Pte. Ltd.
KLSE:	Kuala Lumpur Stock Exchange
KSE:	Korea Stock Exchange
Macrovision:	Macrovision Pte Limited, a wholly owned subsidiary of SES, now known as SGX-ITS
Main Board:	the main listing board 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, a government entity charged with, among other things, the oversight of SGX
Merger:	the demutualization and merger of the SES and SIMEX, pursuant to the Merger Act, as of December 1, 1999

Merger Act:	The Exchanges (Demutualisation and Merger) Act 1999, Act No. 27 of 1999, pursuant to which the SES and SIMEX were merged to form SGX
Merrill Lynch:	Merrill Lynch (Singapore) Pte. Ltd.
MOS:	mutual offset trading system
NASDAQ:	National Association of Securities Dealers Automated Quotation system
NSC:	Nouveau Systeme de Cotation, an electronic trading system licensed to SGX by the ParisBourse SA
NYSE:	New York Stock Exchange
Offering Price:	S\$1.10 for each Share
Offer Shares:	the 88,000,000 Invitation Shares (including the Reserved Shares) to be offered by SEL Holdings pursuant to the Retail Offer upon the terms of and subject to the conditions set out in this prospectus
Offering:	the Strategic Private Placement, the Institutional Placement and the Retail Offer
OTC:	over the counter transaction, which is concluded privately between two parties and is unregulated by an exchange
Over-allotment Option:	the over-allotment option granted by SEL Holdings to the Global Coordinators, exercisable by Merrill Lynch, in consultation with DBS Bank, in whole or in part, on or before the date which is 30 days after the commencement of trading in our shares on the SGX-ST, to purchase or procure purchasers for up to an aggregate of 41,700,000 shares (which is equal in number to 15.0% of the total Invitation Shares) at the Offering Price, solely to cover over-allotments, if any, in connection with the Invitation
Participating Banks:	The Development Bank of Singapore Ltd (“DBS Bank”) (including its POSBank Services division), Keppel TatLee Bank Limited (“KTB”), Oversea-Chinese Banking Corporation Limited (“OCBC”), Overseas Union Bank Limited (“OUB”) and United Overseas Bank Limited (“UOB”) group (comprising UOB, Far Eastern Bank Limited and Industrial & Commercial Bank Limited)
Placement Agreement:	agreement between SGX, the Selling Shareholder and the Strategic Private Placement Agent, dated the date of this prospectus, in connection with the Strategic Private Placement
Placement Shares:	the 190,000,000 Invitation Shares offered by SEL Holdings pursuant to the Institutional Placement
PRDS:	price reporting and dissemination system
prospectus:	this prospectus dated November 16, 2000

Purchase Agreement:	agreement between SGX, the Selling Shareholder and the Global Coordinators, dated the date of this prospectus, in connection with the Institutional Placement
Receiving Bank:	DBS Bank
Reserved Shares:	the 13,000,000 Offer Shares reserved for employees and business associates of, and others who have contributed to the success and development of, the Group
Retail Offer:	the offer by the Selling Shareholder of 88,000,000 Shares (including Reserved Shares) to the public in Singapore upon the terms of and subject to the conditions set out in this prospectus
Retail Offer Agreement:	agreement between SGX, the Selling Shareholder and the Underwriters, dated the date of this prospectus, in connection with the Retail Offer
SCCS:	Securities Clearing and Computer Services (Pte) Limited, an entity that was owned by SES and the SES members
Securities Account:	a securities account maintained by a Depositor with CDP
Securities Market:	the operations of SGX-ST and CDP. This term is also used to refer to the operations of SES, CDP and (where applicable) SCCS prior to the Merger
Selling Shareholder or SEL Holdings:	SEL Holdings Pte Ltd, a special purpose company ultimately owned by Temasek Holdings (Private) Limited
SES:	Stock Exchange of Singapore Limited
SESDAQ:	SES Dealing and Automated Quotation system market, a listing board of the Securities Market
SESOPS:	Singapore Exchange Securities Order Processing System
SFE:	Sydney Futures Exchange
SGX:	Singapore Exchange Limited, a Singapore company formed pursuant to the Merger. This term includes its subsidiaries unless the context indicates otherwise
SGX-DC:	Singapore Exchange Derivatives Clearing Limited, a wholly owned subsidiary of SGX. Formerly the clearing division of SIMEX
SGX-DT:	Singapore Exchange Derivatives Trading Limited, a wholly owned subsidiary of SGX. Formerly the trading division of SIMEX
SGX ETS:	SGX Electronic Trading System
SGX-ITS:	Singapore Exchange IT Solutions Pte Limited, a wholly owned subsidiary of SGX
SGX-RMR:	Singapore Exchange Risk Management and Regulation

SGX-ST:	Singapore Exchange Securities Trading Limited, a wholly owned subsidiary of SGX. Formerly known as SES
SGX Share Option Plan:	SGX Share Option Plan, as set out in Appendix S-C of this prospectus
Share Registrar:	Lim Associates (Pte) Ltd
Shares:	the 428,000,000 ordinary shares in the capital of the Company offered by the Selling Shareholder pursuant to the Offering
SIA:	Securities Industry Act, Chapter 289 of Singapore
SIC:	Securities Industry Council
SIMEX:	Singapore International Monetary Exchange Limited
Singapore:	Republic of Singapore
Singapore dollars and S\$:	lawful currency of Singapore
Singapore GAAP:	Singapore generally accepted accounting principles
SPAN:	Standard Portfolio Analysis of Risk margin system
STAR:	SGX Trade Allocation and Registration system
Strategic Private Placement:	the placement (on a best-efforts basis) by the Strategic Private Placement Agent on behalf of the Selling Shareholder of up to 150,000,000 Shares to qualified institutional buyers within the United States in reliance on Rule 144A under the U.S. Securities Act and outside the United States (including investors in Singapore) in offshore transactions in accordance with Regulation S under the U.S. Securities Act
Strategic Private Placement Agent:	Merrill Lynch (Singapore) Pte. Ltd.
Substantial Shareholders:	Persons having an interest in not less than 5% of the aggregate of the nominal amount of all the voting shares in the Company
TDS:	trade dissemination system
Transfer Date:	December 1, 1999
Underwriters:	the Joint Lead Managers and the Co-underwriters
US dollars and US\$:	lawful currency of the United States of America
U.S. GAAP:	United States generally accepted accounting principles
U.S. Securities Act:	the United States Securities Act of 1933, as amended

The expressions “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them, respectively, in the Companies Act.

Any reference in this prospectus and the Application Forms 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 used in this prospectus and the Application Forms shall, where applicable, have the meaning assigned to it under the Companies Act or that statutory modification, as the case may be.

Any reference to a time of day in this prospectus shall be a reference to Singapore time.

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

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ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL STATEMENTS

The Board of Directors
Singapore Exchange Limited
20 Cecil Street
#26-01/08
Singapore Exchange
Singapore 049705

Dear Sirs:

We have reviewed the unaudited pro forma adjustments to reflect the assumptions described in Note 2 to the unaudited pro forma combined financial statements and the application of those pro forma adjustments to the historical amounts in the compilation of the pro forma combined statement of results, balance sheets, statement of movements of shareholders' equity and cash flows for Singapore Exchange Limited ("SGX") as of and for the years ended June 30, 1998, 1999 and 2000, which reflect the effect of the acquisition by SGX of the Singapore Exchange Securities Trading Limited and its subsidiaries ("SGX-ST", formerly known as the Stock Exchange of Singapore Limited), Singapore Exchange Derivatives Trading Limited and its subsidiary ("SGX-DT", formerly known as the Singapore International Monetary Exchange Limited), and Securities Clearing and Computer Services (Pte) Limited and its subsidiary ("SCCS") to form SGX Group on December 1, 1999 as described in Note 1 to the unaudited pro forma combined financial statements (the "Transaction").

These unaudited pro forma combined financial statements are the responsibility of the management of SGX. Our responsibility is to review the unaudited pro forma adjustments made to reflect the assumptions as described in Note 2 and their application to the historical amounts in the compilation of the unaudited pro forma combined financial statements.

The unaudited pro forma combined financial statements show the combined statement of results balance sheets, statement of movements of shareholders' equity and cash flows of SGX, SGX-ST, SGX-DT and SCCS, as if the Transaction had occurred on July 1, 1997. The unaudited pro forma combined financial statements have been prepared on the basis described in Note 2. These unaudited pro forma combined financial statements are derived from:

- the audited consolidated financial statements of SGX-ST and SCCS as of and for the years ended June 30, 1998 and 1999, and the five month period ended November 30, 1999
- the unaudited consolidated management accounts of SGX-DT as of and for the years ended June 30, 1998 and 1999, and the audited consolidated financial statements for the five month period ended November 30, 1999
- the audited consolidated financial statements of SGX from incorporation on August 21, 1999 to June 30, 2000.

The audited financial statements of SGX, SGX-ST, SGX-DT and SCCS, used in the preparation of the unaudited pro forma combined financial statements were audited by us, except for the audited financial statements of SCCS for the years ended June 30, 1998 and 1999, which were audited by another firm of accountants. The pro forma adjustments underlying the unaudited pro forma combined financial statements are based on management's assumptions as described in Note 2. Our review was conducted solely in accordance with the Singapore Standards on Auditing established by the Singapore Institute of Certified Public Accountants, which are not the same as the applicable standards in the United States of America.

A review is substantially less in scope than an audit, the objective of which is the expression of an opinion on management's assumptions, the pro forma adjustments and the application of those adjustments to historical financial information. Accordingly, we do not express an audit opinion.

The objective of these unaudited pro forma combined financial statements is to present what the pro forma combined statement of results, balance sheets, statement of movements in shareholders' equity, and cash flows of SGX might have been if the Transaction had occurred on July 1, 1997. However, the pro forma combined financial statements do not purport to be indicative of the results of operations or related effects on financial position that would have been attained had the Transaction actually occurred earlier.

Based on our review, nothing came to our attention that caused us to believe that the unaudited pro forma adjustments do not give appropriate effect to the significant effects of the Transaction, based on the assumption that the Transaction took place on July 1, 1997, or that the pro forma adjustments do not reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma combined statement of results, balance sheets, statement of movements in shareholders' equity, and cash flows as of and for the three years ended June 30, 1998, 1999 and 2000.

This report and the unaudited pro forma combined financial statements have been solely prepared in accordance with the Fifth Schedule of the Companies Act, Chapter 50 of Singapore for inclusion in the prospectus to be dated November 16, 2000. They have not been prepared to and do not comply with the requirements of Article 11, of Regulation S-X, as would be applicable for such public offerings in the United States of America. The scope of this review may not be in conformity with United States generally acceptable auditing standards and we do not, therefore, express an opinion thereunder.

Yours faithfully

PricewaterhouseCoopers
Certified Public Accountants
Singapore
(Phillip Tan-Partner)
November 16, 2000

**UNAUDITED PRO FORMA COMBINED STATEMENT OF RESULTS FOR THE
YEARS ENDED JUNE 30, 1998, 1999 AND 2000**

	For the year ended June 30,		
	1998	1999	2000
	S\$'000	S\$'000	S\$'000
Operating revenue			
Clearing fees (net of rebates)	S\$ 94,803	S\$139,327	S\$139,838
Rental of computer terminals	24,240	23,746	26,020
Account maintenance and processing fees	33,304	33,628	41,336
Listing and membership fees	9,602	7,540	12,800
Price information fees	6,425	6,203	6,937
Other operating revenue	12,964	13,188	11,347
Total operating revenue	<u>181,338</u>	<u>223,632</u>	<u>238,278</u>
Operating expenses			
Staff costs	38,332	41,739	49,954
Occupancy costs	10,361	10,498	11,074
Depreciation	13,266	13,004	18,981
Equipment maintenance and rental	8,486	11,241	14,620
Other operating expenses	10,755	14,869	17,575
Total operating expenses	<u>81,200</u>	<u>91,351</u>	<u>112,204</u>
Profit from operating activities	100,138	132,281	126,074
Non-operating income/(expense)			
Interest income	21,402	25,242	18,089
Other non-operating income	518	1,415	904
Other non-operating expense	(1,490)	—	(99)
Net non-operating income	<u>20,430</u>	<u>26,657</u>	<u>18,894</u>
Profit before tax	120,568	158,938	144,968
Tax	(28,352)	(32,458)	(37,103)
Profit after tax	92,216	126,480	107,865
Contribution to fidelity funds	(4,463)	(5,082)	(5,591)
Profit after tax and contribution to fidelity funds	<u>S\$ 87,753</u>	<u>S\$121,398</u>	<u>S\$102,274</u>

The accompanying notes form an integral part of these pro forma financial statements.

**UNAUDITED PRO FORMA COMBINED BALANCE SHEETS AS OF JUNE 30, 1998 AND 1999
AND CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2000**

	As of June 30,		
	1998	1999	2000
	S\$'000 Combined	S\$'000 Combined	S\$'000 Consolidated
Current assets			
Investments	S\$ 25,007	S\$ 41,085	S\$ 37,035
Security deposits of derivatives clearing members	22,270	16,245	23,096
Securities clearing funds	960	33,103	33,473
Trade receivables	284,533	1,049,152	342,218
Margin funds and settlement variation relating to derivatives contracts	1,621,655	1,897,636	2,400,006
Other debtors	22,092	23,186	31,904
Cash and cash equivalents	492,173	523,932	601,375
	<u>2,468,690</u>	<u>3,584,339</u>	<u>3,469,107</u>
Non-current assets			
Fixed assets	49,665	52,373	62,065
Properties under development	118,109	143,428	90,883
Club memberships	692	680	728
Pre-operating expenses	18	—	—
	<u>168,484</u>	<u>196,481</u>	<u>153,676</u>
Net assets of securities and derivatives fidelity funds	36,908	42,320	50,037
Total assets	<u>2,674,082</u>	<u>3,823,140</u>	<u>3,672,820</u>
Current liabilities			
Due to fidelity funds	7,104	4,851	5,395
Trade creditors	278,136	1,014,431	323,940
Other creditors	10,637	14,924	23,422
Security deposits received from derivatives clearing members	22,270	16,245	23,096
Securities clearing members' contributions to clearing funds	960	8,103	8,473
Margin funds and settlement variation relating to derivatives contracts	1,621,655	1,897,636	2,400,006
Taxation	28,419	38,261	37,541
	<u>1,969,181</u>	<u>2,994,451</u>	<u>2,821,873</u>
Non-current liability			
Deferred tax	4,980	2,458	3,552
Total liabilities	<u>1,974,161</u>	<u>2,996,909</u>	<u>2,825,425</u>
Net assets	<u>S\$ 699,921</u>	<u>S\$ 826,231</u>	<u>S\$ 847,395</u>
Shareholders' equity	663,013	783,911	797,358
Securities and derivatives fidelity funds			
Accumulated funds	36,908	42,320	50,037
	<u>S\$ 699,921</u>	<u>S\$ 826,231</u>	<u>S\$ 847,395</u>

The accompanying notes form an integral part of these pro forma financial statements.

**UNAUDITED PRO FORMA COMBINED STATEMENT OF
MOVEMENTS IN SHAREHOLDERS' EQUITY**

The unaudited pro forma movements in shareholders' equity for each of three financial years ended 30 June 1998 to 30 June 2000 are as follows:

	For the year ended June 30		
	1998	1999	2000
	S\$'000	S\$'000	S\$'000
Balance brought forward	S\$575,260	S\$663,013	S\$783,911
Adjustment for fair value of properties	—	—	(88,827)
Pro forma profit after taxation and contribution to fidelity funds			
attributable to members	87,753	121,398	102,274
Less: Contribution to compensation fund	—	(500)	—
Balance carried forward	<u>S\$663,013</u>	<u>S\$783,911</u>	<u>S\$797,358</u>

The accompanying notes form an integral part of these pro forma financial statements.

**UNAUDITED PRO FORMA COMBINED STATEMENT OF CASH FLOWS FOR
THE YEARS ENDED JUNE 30, 1998, 1999 AND 2000**

	For the year ended June 30,		
	1998	1999	2000
	S\$'000	S\$'000	S\$'000
Cash flows from operating activities			
Profit before tax	S\$120,568	S\$158,938	S\$144,968
Adjustments for:			
Depreciation	13,266	13,004	18,981
Net charge made/written back for changes in investment values . . .	1,497	(1,036)	(111)
Amortisation of premium on investments	263	238	100
Loss / (gain) on sale of investments	156	(42)	—
Interest income	(21,402)	(25,242)	(18,089)
Net gain on disposal of fixed assets	(280)	(94)	(99)
Write-off of fixed assets	5	1	108
Operating cash flow before working capital change	114,073	145,767	145,858
Change in operating assets and liabilities, net of effects from purchase of controlled entities			
Trade and other receivables	159,303	(765,725)	698,200
Trade and other payables	(169,147)	732,961	(686,832)
Cash generated from operations	104,229	113,003	157,226
Securities clearing members' contributions to CDP clearing fund	—	7,233	—
Pre-operating expenses	(9)	18	—
Income tax paid	(23,591)	(25,353)	(36,926)
Net cash inflow from operating activities	80,629	94,901	120,300
Cash flows from investing activities			
Payments for properties under development	(41,163)	(25,319)	(31,138)
Payments for fixed assets	(12,839)	(15,745)	(33,999)
Payments for club memberships	—	—	(48)
Payments for investments	(3,000)	(18,321)	(2,923)
Interest received	21,402	25,242	18,089
Receipt from sale of investments / redemption of bonds	106	3,107	7,000
Receipts from disposal of fixed assets	426	127	162
Net cash outflow from investing activities	(35,068)	(30,909)	(42,857)
Net increase in cash held	45,561	63,992	77,443
Cash at the beginning of the financial year	446,612	492,173	523,932
Transfer of assets of securities clearing fund	—	(32,233)	—
Cash at the end of the financial year	S\$492,173	S\$523,932	S\$601,375

The accompanying notes form an integral part of these pro forma financial statements.

NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

1. The Company—Singapore Exchange Limited (“SGX”)

Under the Exchanges (Demutualisation and Merger) Act 1999 (“the Act”), SGX was formed to acquire the following companies (“the Transaction”) on December 1, 1999:

(a) the entire issued share capital of SGX-ST from the existing shareholders. The consideration ascribed by the Act of S\$198,000,000 was satisfied by the issue of 39,600 ordinary shares of S\$1 par value each, in the Company, at a value of S\$5,000 per ordinary share issued. The unaudited net tangible assets of SGX-ST at the date of acquisition was S\$499,029,000;

(b) the entire issued share capital of SGX-DT from the existing shareholders. The consideration ascribed by the Act of S\$110,340,000 was satisfied by the issue of 22,068 ordinary shares of S\$1 par value each, in the Company to shareholders and seat-holders, at a value of S\$5,000 per ordinary share issued. The unaudited net tangible assets of SGX-DT at the date of acquisition was S\$102,679,000; and

(c) the entire issued share capital of SCCS from the existing shareholders. No consideration was ascribed by the Act to be payable to the existing shareholders. The unaudited net tangible assets of SCCS at the date of acquisition was S\$137,558,000.

The excess of net asset values over the ascribed consideration amounting to S\$430,926,000 have been taken directly to shareholders’ equity on consolidation in the financial statements.

2. Basis of presentation of pro forma financial information

The unaudited pro forma combined financial statements are expressed in Singapore dollars and include the pro forma combined statement of results, balance sheets, statement of movements of shareholders’ equity and cash flows as of and for the years ended June 30, 1998, 1999 and 2000. These unaudited pro forma combined financial statements reflect the statements of results, balance sheets, and cash flows of:

- SGX-ST, SGX-DT and SCCS as of and for the years ended June 30 1998, and 1999, and the five-month period ended November 30, 1999
- SGX and its subsidiaries SGX-ST, SGX-DT and SCCS (collectively the “SGX Group”) for the seven month period from December 1, 1999 until June 30, 2000

For the purpose of preparing these unaudited pro forma combined financial statements, the audited financial statements of SGX, SGX-ST, and SCCS were used. Unaudited consolidated management accounts were used for SGX-DT for the two fiscal years ended June 30, 1998 and 1999, and audited financial statements for the five-month period ended November 30, 1999. No audited consolidated financial statements of SGX-DT were available for the periods since SGX-DT’s fiscal year was the calendar year ended December 31, 1998, as a result of which no audits were performed for the fiscal years ended June 30, 1998 and 1999.

These unaudited pro forma combined financial statements are prepared on the assumption that the Transaction, as described in Note 1 above, took place on July 1, 1997.

In the preparation of the unaudited pro forma combined financial statements, adjustments are made to eliminate all material balances and transactions between the companies that are combined for the three years presented. No other adjustments were retroactively made to the financial statements for additional costs incurred or cost savings achieved arising from the Transaction.

The financial information is presented in accordance with Singapore GAAP and the accounting policies presently applied by SGX. These accounting policies are substantially consistent with the accounting policies used by the entities included in the combined financial statements. There were no marked differences in the accounting policies used by the various entities included in the unaudited pro forma combined financial statements, and there have been no material changes to the accounting policies throughout the financial years covered by this report.

NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENT

2. Basis of Presentation of pro forma financial information (continued)

The unaudited pro forma combined financial statements for the year ended June 30, 2000 gives effect to an adjustment that was made to the net assets acquired by SGX from SGX-ST and SGX-DT as a result of the Merger, reflecting an adjustment on the net assets contributed to SGX from their net book value to fair value. The impact of this adjustment was to reduce the net assets by S\$88,827,000. This adjustment was not reflected in the unaudited pro forma combined financial statements for 1998 and 1999 and, therefore, affects the comparability of the balance sheet as of June 30, 2000 with the balance sheets as of June 30, 1999 and 1998. This adjustment does not have a material effect on the comparability of the statements of results and cash flows for the periods presented, since the fair value adjustment related principally to certain properties under construction for which no depreciation was recorded during the periods presented.

The objective of the unaudited pro forma combined financial statements is to present what the historical combined results of operations, balance sheets, cash flows and movements in shareholders' equity might have been had the Transaction occurred at the beginning of the periods presented. The pro forma information have been prepared for illustrative purposes only and does not purport to be indicative of the results of the operations, cash flows or the related effects on the financial position that would have been attained had the Transaction actually occurred on July 1 1997.

3. Pro forma earnings per share

	For the year ended June 30,		
	1998	1999	2000
	S\$'000	S\$'000	S\$'000
Pro forma profit after tax	S\$92,216	S\$126,480	S\$107,865
Pro forma profit after tax and contribution to fidelity funds	S\$87,753	S\$121,398	S\$102,274
Pro forma earnings per share: (S\$)			
Basic earnings per share after tax	S\$ 1,495	S\$ 2,051	S\$ 1,749
Basic earnings per share after tax and contribution to fidelity fund . .	S\$ 1,423	S\$ 1,969	S\$ 1,658
Diluted earnings per share after tax	S\$ 1,481	S\$ 2,031	S\$ 1,732
Diluted earnings per share after tax and contribution to fidelity fund	S\$ 1,409	S\$ 1,949	S\$ 1,642
Number of ordinary shares in issue for computing the pro forma basic earnings per share(a)	61,670	61,670	61,670
Add: Adjustment for assumed full conversion of share options	616	616	616
Number of ordinary shares for computing the pro forma diluted earnings per share(b)	62,286	62,286	62,286

(a) Pro forma basic earnings per share is calculated based on the number of shares in issue at June 30, 2000, on the assumption that such number of shares were outstanding since July 1, 1997.

(b) Pro forma diluted earnings per share is computed based on the number of ordinary shares in issue, at June 30, 2000, adjusted to assume conversion of all dilutive potential ordinary shares, relating to share options granted to a director. For this purpose it was assumed that the share options were granted on July 1, 1997.

4. Events occurring after June 30, 2000

(a) On October 1, 2000, the clearing operations of SGX-DT were transferred to a new subsidiary, Singapore Exchange Derivatives Clearing Limited.

NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS—(Continued)

(b) Subsequent to June 30, 2000, the Company appointed two fund managers to manage a portion of its cash resources for investments in bond and equities. The Company has since reviewed its policy on investments. Please refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Anticipated Expenses and Investment Losses”.

(c) On November 1, 2000, the Company held an Extraordinary General Meeting and the following resolutions were approved:

1) a capital restructuring involving:

(i) the sub-division of each of the ordinary shares of S\$1.00 each into 100 ordinary shares of S\$0.01 each, and

(ii) a bonus distribution of ordinary shares of S\$0.01 each to the existing shareholders, in such amount that the shareholders who were holders of shares in Stock Exchange of Singapore Limited and Singapore International Monetary Exchange Limited (“SIMEX”), and SIMEX seats would receive shares with an aggregate value of S\$308,340,000, pursuant to the Exchanges (Demutualisation and Merger) Act 1999.

2) The adoption of a share option plan to be known as the SGX Share Option Plan. In addition, the shareholders also approved the granting of options under the SGX Share Option Plan with subscription prices set at a discount to the market price for shares prevailing as of the date of the grant, subject to a maximum discount of 20 per cent.

3) The approval of the grant of options to Mr. Thomas Kloet, the Chief Executive Officer, pursuant to his employment contract.

5. Dividends

No dividends have been paid by the Company since its incorporation on August 21, 1999.

6. Audited Financial Statements

Details of the balance sheets of SGX and the SGX Group as at June 30, 2000, and the accounting policies of the SGX Group are contained in the audited financial statements of the SGX Group for the period from August 21, 1999 to June 30, 2000, which have been included elsewhere in the prospectus for which this report has been made.

No audited financial statements of the Company or the Group have been prepared for any period subsequent to June 30, 2000.

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SINGAPORE EXCHANGE LIMITED
(Incorporated in Singapore)
AND ITS SUBSIDIARIES

DIRECTORS' REPORT

For the financial period from 21 August 1999, date of incorporation, to 30 June 2000

The directors present their report to the members together with the audited financial statements of the Company (formerly known as "Letz Limited") and of the Group for the financial period from 21 August 1999, date of incorporation, to 30 June 2000.

Directors

The directors of the Company at the date of this report are:

Joseph Yuvaraj Pillay (appointed 15 November 1999)
Thomas Kloet (appointed 24 April 2000)
Ho Tian Yee (appointed 15 November 1999)
Victor Liew Cheng San (appointed 15 November 1999)
Hidetoshi Mine (appointed 15 November 1999)
George Teo Eng Kim (appointed 15 November 1999)
Wong Ngit Liong (appointed 15 November 1999)
Richard Gnodde (appointed 18 November 1999)
Goh Yew Lin (appointed 20 July 2000)
Low Check Kian (appointed 20 July 2000)
Robert Michael Stein (appointed 20 July 2000)

Principal activities

The principal activity of the Company is that of a holding company, enacted under the Exchanges (Demutualisation and Merger) Act 1999, for the purpose of providing for the demutualisation and merger of the Stock Exchange of Singapore Limited, the Singapore International Monetary Exchange Limited and the Securities Clearing and Computer Services (Pte) Limited and their subsidiaries. The principal activities of the individual subsidiaries are set out in Note 12 to the financial statements. There was no change in the nature of the activities of the Company and its subsidiaries during the period.

Results for the financial period

	<u>The Group</u>	<u>The Company</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Profit after tax attributable to the members of Singapore Exchange Limited	62,225	455,529
Contribution to fidelity funds	(4,150)	—
Profit retained at the end of the financial period	<u>58,075</u>	<u>455,529</u>

SINGAPORE EXCHANGE LIMITED
(Incorporated in Singapore)
AND ITS SUBSIDIARIES

Material transfers to or from reserves and provisions

Material transfers to or from reserves during the financial period were as follows:

	<u>The Group</u> S\$'000	<u>The Company</u> S\$'000
(a) <i>Share premium account</i>		
Premium on issue of shares	308,278	308,278
(b) <i>General reserve</i>		
On acquisition of subsidiaries pursuant to the Exchanges (Demutualisation and Merger) Act 1999	401,926	—
Creation of reserve on reduction of issued share capital of subsidiary	4,000	—
Transfer from general reserve to retained profit	(1,604)	—
	<u>404,322</u>	<u>—</u>
(c) <i>Clearing fund reserve</i>		
On acquisition of subsidiary pursuant to the Exchanges (Demutualisation and Merger) Act 1999	25,000	—
(d) <i>Foreign currency translation reserve</i>		
Net exchange difference arising on translation of financial statements of foreign subsidiary	17	—

Material movements in provisions are set out in the notes to the financial statements.

Acquisition and disposal of subsidiaries

On 1 December 1999, in accordance with the Exchanges (Demutualisation and Merger) Act 1999, the Company acquired the entire share capital of Singapore Exchange Securities Trading Limited ["SGX-ST"] (formerly known as "Stock Exchange of Singapore Limited"), the Singapore Exchange Derivatives Trading Limited ["SGX-DT"] (formerly known as "Singapore International Monetary Exchange Limited"), and Securities Clearing and Computer Services (Pte) Limited.

Following the above-mentioned acquisition of subsidiaries, The Central Depository (Pte) Limited and Singapore Exchange IT Solutions Pte Limited (formerly known as "Macrovision Systems Pte Ltd"), both of which were subsidiaries of SGX-ST, were transferred to the Company.

Details of the acquisition were as follows:

<u>Name of company</u>	<u>Consideration</u> S\$'000	<u>Net asset value at acquisition date</u> S\$'000
Singapore Exchange Securities Trading Limited (formerly known as Stock Exchange of Singapore Limited)	198,000	211,416
Singapore Exchange Derivatives Trading Limited (formerly known as Singapore International Monetary Exchange Limited)	110,340	102,679
Securities Clearing and Computer Services (Pte) Limited	—	137,558
The Central Depository (Pte) Limited	15,000	287,163
Singapore Exchange IT Solutions Pte Limited (formerly known as Macrovision Systems Pte Ltd)	#	450
	<u>323,340</u>	<u>739,266</u>

S\$2

SINGAPORE EXCHANGE LIMITED
(Incorporated in Singapore)
AND ITS SUBSIDIARIES

Shares of the Company to the value of \$308,340,000 were issued as consideration for the acquisition of Singapore Exchange Securities Trading Limited and Singapore Exchange Derivatives Trading Limited. The acquisitions of The Central Depository (Pte) Limited and Singapore Exchange IT Solutions Pte Limited were satisfied by cash.

There were no other acquisitions or disposals of interests in subsidiaries during the financial period.

Issue of shares and debentures

The Company, formerly known as Letz Limited, was incorporated on 21 August 1999 with an issued capital of \$2 comprising two subscriber shares of \$1 each. During the financial period, the Company changed its name to Singapore Exchange Limited and pursuant to the Exchanges (Demutualisation and Merger) Act 1999, increased its issued ordinary share capital from \$2 to \$61,670 by the issue of 61,668 shares of \$1 each at a premium of \$4,999 per share, in exchange for the entire share capital of Singapore Exchange Securities Trading Limited (formerly known as Stock Exchange of Singapore Limited) and Singapore Exchange Derivatives Trading Limited (formerly known as Singapore International Monetary Exchange Limited).

The newly issued shares rank pari passu in all respects with the previously issued shares.

There were no other issues of shares or debentures by any corporation in the Group during the financial period.

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial period had any interest in the share capital of the Company and related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
	At 30.6.2000	At incorporation or date of appointment, if later	At 30.6.2000	At incorporation or date of appointment, if later
The Company				
(Ordinary shares of \$1 each)				
George Teo Eng Kim	—	—	1,359	1,359
Goh Yew Lin	—	—	1,257	1,257

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According to the register of directors' shareholdings, the director holding office at 30 June 2000 who had interests in the options to subscribe for ordinary shares of the Company is set out below:

	Number of unissued ordinary shares of \$1 each under option held by director	
	At 30.6.2000	At date of appointment
Thomas Kloet	616	616

Dividends

No dividends have been paid, declared or proposed since the Company's incorporation.

Bad and doubtful debts

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain the action taken in relation to the writing off of bad debts and providing for doubtful debts of the Company. The directors have satisfied themselves that there were no bad or doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render any amounts written off for bad debts or provided for doubtful debts in the consolidated financial statements of the Group inadequate to any substantial extent.

Current assets

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that current assets of the Company which were unlikely to realise their book value in the ordinary course of business have been written down to their estimated realisable value or that adequate provision has been made for the diminution in value of such current assets.

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report, which would render the value attributed to current assets in the consolidated financial statements misleading.

Charges on assets and contingent liabilities

At the date of this report, no charges have arisen since the end of the financial period on the assets of the Company or any corporation in the Group which secure the liability of any other person, nor have any contingent liability arisen since the end of the financial period in the Company or any other corporation in the Group.

Ability to meet obligations

No contingent or other liability of the Company or any other corporation in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the directors, will or may substantially affect the ability of the Company and the Group to meet its obligations as and when they fall due.

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Other circumstances affecting the financial statements

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the consolidated financial statements which would render any amount stated in the financial statements of the Company and the consolidated financial statements misleading.

Unusual items

In the opinion of the directors, the results of the operations of the Company and of the Group during the financial period have not been substantially affected by any item, transaction or event of a material and unusual nature.

Unusual items after the financial period

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which would affect substantially the results of the operations of the Company and of the Group for the financial period in which this report is made.

Directors' contractual benefits

Since the Company's incorporation, no director has received or become entitled to receive a benefit (other than as disclosed in the consolidated financial statements and in this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Share options

Options granted during the financial period to subscribe for unissued shares of the Company were as follows:

<u>Name</u>	<u>No. of options for Ordinary Shares of S\$1 each</u>
Thomas Kloet	616

Statutory information regarding the grant of option is as follows:

- (i) The exercise prices of the options are:
 - (a) for 308 at-the-money share options, the offer price of shares offered in respect of the Company's initial private placement of shares, or provided the initial private placement does not occur by the first anniversary of the date of grant of the option, the fair market value as at the date of grant of the option.
 - (b) for 308 out-of-the-money share options, 150% of the offer price of shares offered in respect of the Company's initial private placement of shares, or provided the initial private placement does not occur by the first anniversary of the date of grant of the option, 150% of the fair market value as at the date of grant of the option.

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(ii) The options are exercisable from 25 April 2001, being the first anniversary of the date of grant of the option, for a period of ten years.

(iii) The person to whom the options have been issued has no right to participate by virtue of the options in any share issue of any other company, except in the event of any consolidation or merger or amalgamation of the Company with, or into another corporation, the Board of directors may provide for the cancellation of existing options and the grant of other options for shares in the surviving corporation or other corporation.

(iv) The options granted to the director are subject to the approval of the shareholders at a general meeting.

No shares have been issued during the period by virtue of the exercise of options to take up unissued shares of the Company.

There were 616 unissued shares under option at the end of the financial period. The terms of the options outstanding are set out in the above paragraphs.

Audit Committee

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Companies Act, including a review of the financial statements of the Company and of the Group for the financial period and the auditors' report thereon.

The Audit Committee has nominated PricewaterhouseCoopers for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the directors

Joseph Yuvaraj Pillay
Director

Thomas Kloet
Director

21 September 2000

**SINGAPORE EXCHANGE LIMITED
AND ITS SUBSIDIARIES**

STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages F-11 to F-31 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 30 June 2000 and of the results of the business of the Company and of the Group and the cash flows of the Group for the financial period then ended, and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

Joseph Yuvaraj Pillay
Director

Thomas Kloet
Director

21 September 2000

AUDITORS' REPORT TO THE MEMBERS OF SINGAPORE EXCHANGE LIMITED

We have audited the financial statements of Singapore Exchange Limited and the consolidated financial statements of the Group for the financial period ended 30 June 2000 set out on pages F-11 to F-31. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the accompanying financial statements of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:

(i) the state of affairs of the Company and of the Group at 30 June 2000, the profit and changes in equity of the Company and of the Group, and the cash flows of the Group for the financial period ended on that date; and

(ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements of the Company, and the consolidated financial statements of the Group;

(b) the accounting and other records, and the registers required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under Section 207(3) of the Act.

PricewaterhouseCoopers
Certified Public Accountants

Singapore,
21 September 2000

**SINGAPORE EXCHANGE LIMITED
AND ITS SUBSIDIARIES**

BALANCE SHEETS
As at 30 June 2000

	<u>Notes</u>	<u>The Group</u> S\$'000	<u>The Company</u> S\$'000
Current assets			
Investments	3	37,035	32,505
Security deposits of derivatives clearing members	4	23,096	—
Securities clearing funds	5	33,473	—
Trade receivables	6	342,218	395
Amounts due from subsidiaries—trade		—	8,728
Margin funds and settlement variation relating to derivatives contracts	7	2,400,006	—
Other debtors	8	31,904	24,710
Cash and cash equivalents	9	601,375	363,365
		<u>3,469,107</u>	<u>429,703</u>
Non-current assets			
Fixed assets	10	62,065	35,160
Properties under development	11	90,883	—
Investment in subsidiaries	12	—	323,340
Club memberships		728	528
		<u>153,676</u>	<u>359,028</u>
Net assets of securities and derivatives fidelity funds	13	50,037	—
Total assets		<u>3,672,820</u>	<u>788,731</u>
Current liabilities			
Due to fidelity funds	13	5,395	—
Trade creditors	15	323,940	—
Other creditors	16	23,422	6,130
Amounts due to subsidiaries—non-trade		—	16,698
Security deposits received from derivatives clearing members	4	23,096	—
Securities clearing members' contributions to clearing funds	5	8,473	—
Margin funds and settlement variation relating to derivatives contracts	7	2,400,006	—
Taxation	19	37,541	2,034
		<u>2,821,873</u>	<u>24,862</u>
Non-current liability			
Deferred tax	19	3,552	—
Total liabilities		<u>2,825,425</u>	<u>24,862</u>
Net assets		<u>847,395</u>	<u>763,869</u>
Equity			
Share capital	17	62	62
Reserves		797,296	763,807
		<u>797,358</u>	<u>763,869</u>
Securities and derivatives fidelity funds			
Accumulated funds	13	50,037	—
		<u>847,395</u>	<u>763,869</u>

The accompanying notes form an integral part of these financial statements.

**SINGAPORE EXCHANGE LIMITED
AND ITS SUBSIDIARIES**

PROFIT AND LOSS ACCOUNTS

For the financial period from 21 August 1999, date of incorporation, to 30 June 2000

	<u>Notes</u>	<u>The Group</u> S\$'000	<u>The Company</u> S\$'000
Operating revenue			
Management fees from subsidiaries		—	34,267
Gross dividend income from subsidiaries		—	610,500
Clearing fees (net of rebates)		78,474	—
Rental of computer terminals		15,648	—
Account maintenance and processing fees		23,828	—
Listing and membership fees		8,355	—
Price information fees		4,098	—
Other operating revenue		5,742	246
Total operating revenue		<u>136,145</u>	<u>645,013</u>
Operating expenses			
Staff costs		28,502	18,588
Occupancy costs		6,226	3,559
Depreciation		12,124	4,317
Equipment maintenance and rental		7,865	4,153
Other operating expenses		9,414	2,672
Total operating expenses		<u>64,131</u>	<u>33,289</u>
Profit from operating activities		72,014	611,724
Non-operating income/(expense)			
Interest income	18	10,337	6,331
Other non-operating income		71	340
Other non-operating expense		(99)	(5,155)
Net non-operating income		<u>10,309</u>	<u>1,516</u>
Profit before tax	18	82,323	613,240
Tax	19	(20,098)	(157,711)
Profit after tax		62,225	455,529
Contribution to fidelity funds	13	(4,150)	—
Profit after tax and contribution to fidelity funds		<u>58,075</u>	<u>455,529</u>
Earnings per share			
— basic (S\$) — before deduction of contribution to fidelity funds	20	1,009	
— after deduction of contribution to fidelity funds		942	
— diluted (S\$) — before deduction of contribution to fidelity funds		1,006	
— after deduction of contribution to fidelity funds		<u>939</u>	

The accompanying notes form an integral part of these financial statements.

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**SINGAPORE EXCHANGE LIMITED
AND ITS SUBSIDIARIES**

STATEMENT OF CHANGES IN EQUITY

For the financial period from 21 August 1999, date of incorporation, to 30 June 2000

The Group

	<u>Share capital</u> S\$'000	<u>Share premium</u> S\$'000	<u>General reserve</u> S\$'000 [Note 12(b)]	<u>Clearing fund reserve*</u> S\$'000 [Note 5 & 12(b)]	<u>Translation reserve*</u> S\$'000	<u>Retained profit</u> S\$'000	<u>Total</u> S\$'000
Issue of share capital	62	308,278					308,340
Net profit for the period after tax and contribution to fidelity funds						58,075	58,075
Foreign currency translation differences					17		17
Transfer from general reserve			(1,604)			1,604	—
General reserve on acquisition of subsidiaries pursuant to the Exchanges (Demutualisation and Merger) Act 1999			401,926				401,926
Clearing fund reserve on acquisition of subsidiary				25,000			25,000
General reserve on reduction of issued share capital of subsidiary			4,000				4,000
Balance at 30 June 2000	62	308,278	404,322	25,000	17	59,679	797,358

* -Non-distributable reserves

The Company

	<u>Share capital</u> S\$'000	<u>Share premium</u> S\$'000	<u>Retained profit</u> S\$'000	<u>Total</u> S\$'000
Net profit for the financial period			455,529	455,529
Issue of share capital	62	308,278		308,340
Balance at 30 June 2000	62	308,278	455,529	763,869

The accompanying notes form an integral part of these financial statements.

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**SINGAPORE EXCHANGE LIMITED
AND ITS SUBSIDIARIES**

CONSOLIDATED CASH FLOW STATEMENT

For the financial period from 21 August 1999, date of incorporation, to 30 June 2000

	<u>Notes</u>	<u>S\$'000</u>
Cash flows from operating activities		
Profit before tax		82,323
Adjustments for:		
Depreciation		12,124
Net loss on revaluation of investments		343
Interest income		(10,337)
Net gain on disposal of fixed assets		(41)
Operating cash flow before working capital change		84,412
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
Trade and other receivables		199,557
Trade and other payables		(207,068)
Cash generated from operations		76,901
Income tax paid		(18,205)
Net cash from operating activities		<u>58,696</u>
Cash flows from investing activities		
Payments for properties under development		(25,130)
Payments for fixed assets		(6,743)
Payments for club membership		(225)
Interest received		10,337
Receipt from sale of investment		4,000
Receipts from disposal of fixed assets		86
Net cash from investing activities		<u>(17,675)</u>
Net increase in cash held		41,021
Cash acquired on acquisition of subsidiaries	12	560,337
Effects of exchange rate changes on cash		17
Cash at the end of the financial period	9	<u><u>601,375</u></u>

The accompanying notes form an integral part of these financial statements.

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SINGAPORE EXCHANGE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 21 August 1999, date of incorporation, to 30 June 2000

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

The Company (formerly known as “Letz Limited”) is incorporated on 21 August 1999 and is domiciled in Singapore. The financial statements are expressed in Singapore dollars. The address of the registered office is 20 Cecil Street #26-01/08, Singapore Exchange, Singapore 049705.

The principal activity of the Company is that of a holding company, enacted under the Exchanges (Demutualisation and Merger) Act 1999, for the purpose of providing for the demutualisation and merger of the Stock Exchange of Singapore Limited, the Singapore International Monetary Exchange Limited and the Securities Clearing and Computer Services (Pte) Limited and their subsidiaries. The principal activities of the individual subsidiaries are set out in Note 12(a) to the financial statements. There was no change in the nature of the activities of the Company and its subsidiaries during the period.

2. Significant accounting policies

(a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, modified to include investments at market value.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial period. The results of subsidiaries acquired or disposed of during the financial period are included in or excluded from the consolidated profit and loss account from the date of their acquisition or disposal. Intercompany balances and transactions and resulting unrealised profits are eliminated in full on consolidation.

(c) Goodwill

Goodwill represents the difference between the fair value of the consideration given and the fair value of the identifiable net assets of subsidiaries when acquired. The goodwill is directly accounted for in the reserves.

(d) Foreign currencies

Transactions in foreign currencies during the financial period are converted to Singapore dollars at the rates of exchange prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date or at contracted rates where they are covered by forward exchange contracts. Exchange differences arising are taken to the profit and loss accounts. Exchange differences arising from translating foreign currencies purchased to hedge against specific capital or operating expenditure commitments at balance sheet date are deferred. These are released to match against the related capital or operating expenditure transactions, when they are incurred.

For the purpose of consolidation of foreign subsidiaries whose operations are integral to those of the Company, all monetary assets and liabilities are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date. All non-monetary assets and liabilities are recorded at the exchange rates when the

SINGAPORE EXCHANGE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(d) Foreign currencies (continued)

relevant transactions occurred, and the results are translated using average monthly exchange rates. The exchange differences arising are taken to reserves.

(e) Bad and doubtful debts

Bad debts are written off and specific provisions are made for those debts considered to be doubtful.

(f) Investments

Quoted investments (equity and debt) are marked to market, and the differences in market values are included in the profit and loss account.

Unquoted investments are stated at cost less provision. Provision is made in recognition of a diminution in the value of the investments which is other than temporary, determined on an individual investment basis.

Investments in subsidiaries that are intended to be held for the long term are stated in the financial statements at cost less provision. This provision is made in recognition of any diminution in the value of the investments which is other than temporary, determined on an individual investment basis.

(g) Properties under development

Properties under development represent interests in land and buildings in respect of which construction work and development have not been completed and which are intended to be held on a long term basis for its investment potential. Such properties are stated at cost and provision is made for any diminution in value considered to be other than temporary.

(h) Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

(i) Depreciation of fixed assets

No depreciation is provided on leasehold land with more than 50 years to expiry of the lease. Short-term leasehold land is amortised evenly over the term of the lease.

Depreciation is calculated on a straight line basis to write off the cost of other fixed assets over their expected useful lives as follows:

Freehold and leasehold buildings	30 years upon completion of building
Improvement to leasehold premises	Lower of 5 years or lease period
Furniture, fittings and office equipment	3 to 10 years
Computers –Hardware	3 years
–Software	1 year to 3 years
Motor vehicles	4 years

(j) Revenue recognition

Revenue is recognised on the following bases:

- i. trading, clearing and settlement income, net of rebates, on a trade date basis;
- ii. listing and membership fees, maintenance fees and rental income on a time proportion basis;
- iii. price information fees, processing and other income, when services are rendered;
- iv. interest income, on a time proportion basis; and
- v. dividend income is recorded gross in the profit and loss account in the accounting period in which a dividend is declared payable.

SINGAPORE EXCHANGE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(k) *Taxation*

Tax expense is determined on the basis of tax effect accounting using the liability method. Deferred taxation is provided on significant timing differences arising from the different treatment in accounting and taxation of relevant items.

In accounting for timing differences, deferred tax assets are not recognised unless there is reasonable expectation of their realisation.

3. Current assets—Investments

	The Group	The Company
	S\$'000	S\$'000
Quoted investments, at market value [see (a) below]	32,785	28,255
Unquoted investments, at cost	4,250	4,250
	37,035	32,505
 (a) <i>Quoted investments, at market value</i>		
The aggregate market values of quoted investments are:		
Unit trusts	4,530	—
Bonds and debentures	28,255	28,255
	32,785	28,255
 (b) <i>Quoted investments, at cost</i>		
Unit trusts	5,056	—
Bonds and debentures	28,066	28,066
	33,122	28,066

4. Current assets—Security deposits of derivatives clearing members

The rules of the derivatives subsidiary, Singapore Exchange Derivatives Trading Limited (“SGX-DT”) require its clearing members to deposit security for their futures trading obligations, the minimum sum of US\$250,000 in cash or an equivalent amount in the form of irrevocable letters of credit.

All cash security deposits are placed in interest bearing accounts with banks. Interest earned on the security deposits is returned to the clearing members, with a portion retained by SGX-DT.

	S\$'000
Cash deposits with banks	23,096

In addition, SGX-DT also holds the following irrevocable letters of credit from clearing members, in lieu of security deposits, for futures trading. These letters of credit are not included in the balance sheet of SGX-DT.

	S\$'000
Irrevocable letters of credit	67,557

5. Current assets—Securities clearing funds

The securities clearing funds were established under the clearing rules of the securities clearing subsidiaries, The Central Depository (Pte) Limited (“CDP”) and Options Clearing Company Pte Limited (“OCC”). The clearing funds are to provide resources to enable CDP and OCC to discharge their obligations and liabilities of defaulting clearing members arising from transactions in approved securities and options.

SINGAPORE EXCHANGE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

5. Current assets—Securities clearing funds (continued)

(a) *CDP clearing fund*

CDP has prescribed that the initial fund size will be S\$160 million. CDP has contributed S\$25 million in cash to the clearing fund. Clearing members of the securities exchange are required to contribute a total of at least S\$15 million in cash, acceptable assets or an equivalent amount in the form of bank guarantees, each member's contribution being in proportion to their market share. CDP has also purchased S\$45 million insurance cover and has provided a standby credit facility of S\$75 million to the clearing fund.

Payments out of the CDP clearing fund shall be made in the following order:

- (i) Contributions by defaulting clearing members
- (ii) Contributions of CDP
- (iii) Contributions by all other clearing members on prorata basis in the proportion of each clearing member's turnover to the total turnover of all clearing members at that point of default
- (iv) Insurance
- (v) Standby credit facility

(b) *OCC clearing fund*

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

Payments out of the OCC clearing fund shall be made in the following order:

- (i) Total deposit of defaulting clearing members
- (ii) Base deposits of all other clearing members on a prorata basis
- (iii) Insurance

(c) As at 30 June 2000, securities clearing fund contributors comprise:

	S\$'000
Cash contributions by CDP	25,000
Cash contributions by CDP clearing members	7,603
Cash contributions by OCC clearing members	870
Total cash contributions by securities clearing members	8,473
	33,473
Contributions by securities clearing members in the form of bank guarantees	11,526
	44,999

As at 30 June 2000, all cash contributions are placed in interest bearing accounts with banks and are included in cash and cash equivalents on the balance sheet. Interest earned on the cash contributions by clearing members is credited to the clearing members while interest earned on the cash contributions by CDP is credited to CDP.

The bank guarantees are not included in the Group's balance sheet.

The contributions of clearing members are recorded as current liabilities of the Group. The contributions by CDP are included in the reserves of the Group.

SINGAPORE EXCHANGE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

6. Current assets—Trade receivables

	The Group	The Company
	S\$'000	S\$'000
Trade receivables comprise:		
Receivables from clearing members:		
—Daily settlements of accounts for due contracts and rights	319,933	—
—Clearing fees	11,569	—
Other trade receivables	11,085	395
	342,587	395
Less: Provision for doubtful debts	(369)	—
	342,218	395
	The Group	The Company
	S\$'000	S\$'000
Movements in provision for doubtful debts are as follows:		
Balance on acquisition of subsidiaries	752	—
Writeback during the financial period	(383)	—
Balance at the end of the financial period	369	—

7. Current assets—Margin funds and settlement variation relating to derivatives contracts

(a) The balance comprise:

	S\$'000
Margin deposits [Note (b)]	2,396,517
Settlement variation	3,489
	2,400,006

(b) Margin deposits relate to cash deposited by clearing members of the derivatives subsidiary, SGX-DT, as margins for their outstanding futures contracts.

All cash margin deposits are placed in interest bearing accounts with banks. Interest earned on the margin deposits is credited to the clearing members, with a portion retained by SGX-DT.

In addition, SGX-DT holds the following amounts of government securities, primarily US government securities, and irrevocable letters of credit as collateral from clearing members in order to meet the latter's obligations to SGX-DT for margin requirements. These government securities and irrevocable letters of credit are not included as part of the balance sheet of SGX-DT:

	S\$'000
Quoted government securities:	
—par value	854,985
—market value	906,160
Irrevocable letters of credit	323,117

SINGAPORE EXCHANGE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

8. Current assets—Other debtors

	<u>The Group</u>	<u>The Company</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Interest receivable	6,667	4,348
Prepayments	2,416	1,148
Deposits	2,203	1,234
Staff advances	754	386
Recoverable merger-related expenses*	17,503	17,503
Others	2,361	91
	<u>31,904</u>	<u>24,710</u>

* The merger-related expenses paid by the Company will be reimbursed from the proceeds arising from the sale of shares of the Company in accordance with the Exchanges (Demutualisation and Merger) Act 1999.

9. Current assets—Cash and cash equivalents

	<u>The Group</u>	<u>The Company</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Cash at bank	42,814	4,565
Bank deposits	558,561	358,800
	<u>601,375</u>	<u>363,365</u>

SINGAPORE EXCHANGE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

10. Non-current assets—Fixed assets

	Freehold and leasehold land and buildings	Improvement to leasehold premises	Furniture, fittings & office equipment	Computer	Motor vehicles	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
The Group						
<i>Cost</i>						
New subsidiaries acquired	26,172	18,084	13,765	85,247	750	144,018
Additions	—	62	209	5,747	725	6,743
Disposals	—	—	—	(127)	(384)	(511)
At 30 June 2000	<u>26,172</u>	<u>18,146</u>	<u>13,974</u>	<u>90,867</u>	<u>1,091</u>	<u>150,250</u>
<i>Accumulated depreciation</i>						
New subsidiaries acquired	1,235	14,659	9,734	50,326	573	76,527
Disposals	—	—	—	(82)	(384)	(466)
Depreciation charge	164	998	711	10,175	76	12,124
At 30 June 2000	<u>1,399</u>	<u>15,657</u>	<u>10,445</u>	<u>60,419</u>	<u>265</u>	<u>88,185</u>
<i>Net book value</i>						
At 30 June 2000	<u>24,773</u>	<u>2,489</u>	<u>3,529</u>	<u>30,448</u>	<u>826</u>	<u>62,065</u>
The Company						
<i>Cost</i>						
Intercompany transfer	30,894	10,522	5,145	21,669	430	68,660
Additions	—	19	89	747	725	1,580
Disposals	—	—	—	—	(384)	(384)
Write-down	(5,155)	—	—	—	—	(5,155)
At 30 June 2000	<u>25,739</u>	<u>10,541</u>	<u>5,234</u>	<u>22,416</u>	<u>771</u>	<u>64,701</u>
<i>Accumulated depreciation</i>						
Intercompany transfer	1,216	7,960	4,482	11,550	400	25,608
Disposals	—	—	—	—	(384)	(384)
Depreciation charge	161	698	177	3,244	37	4,317
At 30 June 2000	<u>1,377</u>	<u>8,658</u>	<u>4,659</u>	<u>14,794</u>	<u>53</u>	<u>29,541</u>
<i>Net book value</i>						
At 30 June 2000	<u>24,362</u>	<u>1,883</u>	<u>575</u>	<u>7,622</u>	<u>718</u>	<u>35,160</u>

11. Non-current assets—Properties under development

This relates to the purchase of a number of floors of leasehold properties at 2 and 4 Shenton Way, Singapore, which are still under construction. The lease tenure of the properties is 99 years, commencing from 13 November 1995.

The properties under development are stated at their fair value determined by the directors based on an independent professional valuation carried out by CB Richard Ellis (Pte) Ltd, a company of professional surveyors, on 1 December 1999, on the basis of open market value for existing use.

SINGAPORE EXCHANGE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

12. Non-current assets—Investment in subsidiaries

(a)	<u>Name of subsidiaries</u>	<u>Principal activities</u>	<u>Country of business</u>	<u>Equity holding held by</u>		<u>Cost of investment</u>
				<u>The Company %</u>	<u>Subsidiaries %</u>	<u>The Company S\$'000</u>
	Singapore Exchange Securities Trading Limited (formerly known as Stock Exchange of Singapore Limited)	Conducting a securities exchange	Singapore	100	—	198,000
	Singapore Exchange Derivatives Trading Limited (formerly known as Singapore International Monetary Exchange Limited)	Conducting a financial futures exchange	Singapore	100	—	110,340
	The Central Depository (Pte) Limited	Provide clearing, depository and related services for securities transactions	Singapore	100	—	15,000
	Singapore Exchange IT Solutions Pte Limited (formerly known as Macrovision Systems Pte Ltd)	Provide computer services and maintenance, leasing and rental of software and hardware, developing applications and software maintenance	Singapore	100	—	#
	Macronet Information Pte Ltd	Provide corporate share registration and custody-related services	Singapore	—	100	—
	Options Clearing Company (Pte) Limited	Provide facilities for the registration of options relating to marketable securities	Singapore	—	100	—
	SGX America Ltd (formerly known as SIMEX America Ltd) *	Marketing and disseminating information about Singapore Exchange Derivatives Trading Limited	United States of America	—	100	—
	Securities Clearing and Computer Services (Pte) Limited	Dormant	Singapore	100	—	—
	CDP Nominees Pte Ltd	Dormant	Singapore	—	100	—
	CDP Nominees (II) Pte Ltd	Dormant	Singapore	—	100	—
	Asiaclear Pte Ltd	Dormant	Singapore	—	100	—
	Globalclear Pte Ltd	Dormant	Singapore	—	100	—
						323,340

S\$2

* Company not required to be audited in the United States of America.

SINGAPORE EXCHANGE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

12. Non-current assets—Investment in subsidiaries (continued)

(b) *Acquisition of subsidiaries*

On 1 December 1999, in accordance with the Exchanges (Demutualisation and Merger) Act 1999, the Company acquired the entire share capital of Singapore Exchange Securities Trading Limited [“SGX-ST”] (formerly known as “Stock Exchange of Singapore Limited”), the Singapore Exchange Derivatives Trading Limited [“SGX-DT”] (formerly known as “Singapore International Monetary Exchange Limited”), and Securities Clearing and Computer Services (Pte) Limited.

39,600 shares of S\$1 each were issued at a premium of S\$4,999 to shareholders of SGX-ST, and 22,068 shares of S\$1 each were issued at the same value to the shareholders of SGX-DT and the owners of seats. No shares were issued to the shareholders of Securities Clearing and Computer Services (Pte) Limited.

Details of the collective acquisitions are as follows:

	S\$’000
Fair value of identifiable net assets of subsidiaries acquired:	
Investments	41,881
Fixed assets	133,244
Trade and other debtors	598,679
Cash	560,337
Trade and other creditors	<u>(594,875)</u>
	739,266
Consideration by way of issue of shares	<u>(308,340)</u>
Excess of fair value of net assets over consideration	<u><u>430,926</u></u>

The excess of fair value of net assets over consideration is accounted for in the following reserves:

	S\$’000
General reserve	405,926
Clearing fund reserve	<u>25,000</u>
	<u><u>430,926</u></u>

Following the above-mentioned acquisition of subsidiaries, the Central Depository (Pte) Limited and Singapore Exchange IT Solutions Pte Limited (formerly known as “Macrovision Systems Pte Ltd”), both of which were subsidiaries of SGX-ST, were transferred at book cost of S\$15,000,000 and S\$2 respectively, for cash, to the Company.

13. Net assets of securities and derivatives fidelity funds

Fidelity funds are maintained by the futures and securities exchange subsidiaries, as required by Section 49A of the Futures Trading Act, and Section 75 of the Securities Industry Act respectively, as follows:

	S\$’000
Securities exchange fidelity fund	30,027
Derivatives exchange fidelity fund	<u>20,010</u>
	<u><u>50,037</u></u>

SINGAPORE EXCHANGE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

13. Net assets of securities and derivatives fidelity funds (continued)

The purpose of the securities exchange fidelity fund is to meet claims from persons who have suffered pecuniary losses in their dealings with member companies.

The purpose of the derivatives exchange fidelity fund is to compensate any person, other than an accredited investor, who suffers pecuniary loss because of a defalcation committed in the course of or in connection with the trading of a futures contract which is cleared or to be cleared by the derivatives subsidiary, SGX-DT, by a derivatives participant or by any representatives of any derivatives participant in relation to any money or other property which was entrusted to or received by that derivatives participant or by its representatives.

The assets of the funds belong to the respective exchange companies but are kept separate from all other assets, and are held in trust for the purposes set out in the Futures Trading Act and Securities Industry Act.

	<u>The Group</u> S\$'000
The assets of the securities and derivatives fidelity funds comprise:	
Fixed deposits	39,135
Government securities	5,000
Interest receivable	579
Bank balance	53
Due from general fund	5,395
	<u>50,162</u>
The liabilities of the securities and derivatives fidelity funds comprise:	
Other creditors	1
Provision for taxation	88
Deferred tax	36
	<u>125</u>
Net assets of securities and derivatives fidelity funds	<u>50,037</u>

14. SIMEX Compensation Fund

In 1986, the derivatives subsidiary, SGX-DT, established the SIMEX Compensation Fund (“Fund”) for the primary purpose of providing compensation to customers of any futures member who suffer, sustain or incur a loss in consequence of the default of that futures member meeting its obligations. The Deed of Settlement dated 25 November 1986 states that upon the winding up of the Fund, the net assets of the Fund shall be distributed in such proportion as the Trustees think fit, to a fund having objects sufficiently similar to the Fund, to SGX-DT or to such charitable institutions or other charitable objects.

For the period ended 30 June 2000, no provision was made for contribution to the Fund.

SINGAPORE EXCHANGE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

14. SIMEX Compensation Fund (continued)

At 30 June 2000, the balance in the Fund amounted to approximately S\$30,005,000 and is invested in net assets as follows:

	S\$'000
Current assets	
Fixed deposits and bank balances and interest received	21,728
Quoted bonds, at market value	6,998
Government securities, at market value	<u>1,528</u>
	<u>30,254</u>
Current liability	
Taxation	171
Non current liability	
Deferred taxation	<u>78</u>
Net assets	<u><u>30,005</u></u>

The Fund is not included in the Group's balance sheet as it is set up as a trust.

15. Current liabilities—Trade creditors

	<u>The Group</u>	<u>The Company</u>
	S\$'000	S\$'000
Trade creditors comprise:		
Payables to clearing members—daily settlements of accounts for due contracts and rights	319,933	—
Deposits received	1,170	—
Other trade creditors	<u>2,837</u>	<u>—</u>
	<u>323,940</u>	<u>—</u>

16. Current liabilities—Other creditors

	<u>The Group</u>	<u>The Company</u>
	S\$'000	S\$'000
Other creditors comprise:		
Accrued operating expenses	9,601	1,680
Provision for bonus and CPF	6,012	4,298
Interest payable to members	3,772	—
Advance receipts	3,652	50
Others	<u>385</u>	<u>102</u>
	<u>23,422</u>	<u>6,130</u>

17. Share capital of Singapore Exchange Limited

(a) *Authorised ordinary share capital*

The authorised number of ordinary shares is 1,000,000,000 with a par value of S\$1 per share.

SINGAPORE EXCHANGE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

17. Share capital of Singapore Exchange Limited (continued)

(b) *Issued ordinary share capital*

	<u>The Company</u> S\$'000
Ordinary shares of S\$1 each, fully paid	62 <u> </u>

The Company, formerly known as Letz Limited, was incorporated on 21 August 1999 with an issued capital of S\$2 comprising two subscriber shares of S\$1 each. During the financial period, the Company changed its name to Singapore Exchange Limited and pursuant to the Exchanges (Demutualisation and Merger) Act 1999, increased its issued ordinary share capital from S\$2 to S\$61,670 by the issue of 61,668 shares of S\$1 each at a premium of S\$4,999 per share, in exchange for the entire share capital of Singapore Exchange Securities Trading Limited (formerly known as Stock Exchange of Singapore Limited), Singapore Exchange Derivatives Trading Limited (formerly known as Singapore International Monetary Exchange Limited) and Securities Clearing and Computer Services Pte Limited.

The newly issued shares rank pari passu in all respects with the previously issued shares.

(c) *Outstanding options*

As at 30 June 2000, there were 616 outstanding options to subscribe for ordinary share of S\$1 each exercisable from 25 April 2001 for a period of ten years.

The terms of the exercise of options are set out in the Directors' Report under the caption "Share Options".

SINGAPORE EXCHANGE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

18. Profit before tax

	<u>The Group</u> S\$'000	<u>The Company</u> S\$'000
(a) Profit before tax is arrived at after:		
<i>Charging:</i>		
Auditors' remuneration	145	40
Depreciation of fixed assets		
– Freehold and leasehold land and buildings	164	161
– Improvement to leasehold premises	998	698
– Furniture, fittings and office equipment	711	177
– Computers	10,175	3,244
– Motor vehicles	76	37
Write-down of fixed asset	—	5,155
Directors' remuneration [refer (b)]	817	817
Net foreign exchange loss	369	—
Net loss on revaluation of investments	343	—
Loss on disposal of fixed assets	27	—
Rental expenses—operating leases	8,655	5,786
<i>And crediting:</i>		
Rental income from subsidiary	—	38
Writeback of provision for doubtful trade debts	383	—
Gross dividend income from subsidiaries	—	610,500
Interest income		
– Fixed deposits	8,617	5,332
– Quoted loan stocks and bonds	788	788
– Unquoted investments	201	201
– Others	731	10
Gain on disposal of fixed assets	68	68
Net gain on revaluation of investments	—	183

(b) **Remuneration bands of directors of the Company**

	<u>The Group</u>
Number of directors of the Company in remuneration bands:	
S\$500,000 and above	—
S\$250,000 to S\$499,999	2
Below S\$250,000	6
Total	<u>8</u>

19. Tax

(a) *Tax expense*

	<u>The Group</u> S\$'000	<u>The Company</u> S\$'000
Tax expense attributable to profit is made up of:		
Current income tax provision	19,007	157,711
Deferred income tax provision	1,091	—
	<u>20,098</u>	<u>157,711</u>

SINGAPORE EXCHANGE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

19. Tax (continued)

(b) *Tax reconciliation*

The income tax expense on the results of the Group for the period is lower than the amount of income tax determined by applying the Singapore standard rate of income tax on companies to profit before taxation mainly due to:

(i) income arising from the derivative operations of a subsidiary on the futures exchange being exempted from Singapore income tax to the year 2003; and

(ii) offset by certain expenses not allowable for income tax purposes.

(c) *Movements in provision for current tax*

	<u>The Group</u> S\$'000	<u>The Company</u> S\$'000
Balance on acquisition of subsidiaries	36,739	—
Income tax paid	(18,205)	(155,677)
Current financial period's tax expense on profit	19,007	157,711
Balance at the end of the financial period	<u>37,541</u>	<u>2,034</u>

(d) *Composition of deferred tax*

Provision for deferred tax comprises the estimated expense at current income tax rates on the following items:

	<u>The Group</u> S\$'000	<u>The Company</u> S\$'000
Difference in depreciation and amortisation of fixed assets for accounting and income tax purposes	2,294	—
Other differences	1,258	—
	<u>3,552</u>	<u>—</u>

(e) *Movements in provision for deferred tax*

	<u>The Group</u> S\$'000	<u>The Company</u> S\$'000
Balance on acquisition of subsidiaries	2,461	—
Current financial period's tax expense on profit	1,091	—
Balance at the end of the financial period	<u>3,552</u>	<u>—</u>

SINGAPORE EXCHANGE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

20. Earnings per share

	<u>The Group</u> <u>S\$'000</u>
Profit after tax	62,225
Profit after tax and contribution to fidelity funds	<u>58,075</u>
Number of ordinary shares in issue for basic earnings per share	61,670
Adjustment for assumed conversion of share options	<u>176</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>61,846</u>

Basic earnings per share is calculated as follows:

(i) by dividing the profit after tax by the number of ordinary shares in issue during the period in which the Group was operational; and

(ii) by dividing the profit after tax and contribution to fidelity funds by the number of ordinary shares in issue during the period in which the Group was operational.

For the diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares being the share options granted to a director.

In determining the diluted earnings per share a calculation is performed to determine the number of shares that could have been acquired at fair value. This calculation serves to determine the 'unpurchased' shares to be added to the ordinary shares outstanding for the purpose of computing the dilution; for the share options calculation no adjustment is made to profit after tax attributable to members of Singapore Exchange Limited, which may arise from any change in income or expense that would arise from the conversion of the share options.

SINGAPORE EXCHANGE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

21. Segment Information

	Securities Trading and Clearing	Derivatives Trading and Clearing	Other Operations	The Group
	S\$'000	S\$'000	S\$'000	S\$'000
Segment Revenue	99,883	28,997	7,265	136,145
Results				
Segment results	72,024	6,249	5,039	83,312
Unallocated costs				(11,298)
Operating profit before tax				72,014
Interest income and other non-operating income . . .				10,309
Income taxes				(20,098)
Net profit				<u>62,225</u>
Other Information				
Segment assets	711,985	2,595,644	7,245	3,314,874
Unallocated assets				357,946
Consolidated total assets				<u>3,672,820</u>
Segment liabilities	344,604	2,437,204	2,467	2,784,275
Unallocated liabilities				41,150
Consolidated total liabilities				<u>2,825,425</u>
Capital expenditure				
—Properties under development	—	—	—	25,130
—Others	3,174	1,865	1,704	6,743
Depreciation	3,794	3,990	4,340	12,124

The Group operates only in Singapore.

22. Contingent liabilities (unsecured)

At the balance sheet date, the derivatives subsidiary, SGX-DT, had unsecured contingent liabilities to banks for standby letters of credit issued by the banks to the Chicago Mercantile Exchange (“CME”) and the London Clearing House (“LCH”), in accordance with the mutual offset agreement between CME/LCH and SGX-DT, amounting to US\$41,000,000 and US\$2,500,000 respectively. These guarantees were given by SGX-DT to CME/LCH on behalf of clearing members as a margin for their open positions on CME/LCH. These contingent liabilities are supported by clearing members’ margin funds set out in Note 7.

23. Common bond system

The rules of the derivative subsidiary, SGX-DT, enable SGX-DT to mobilise substantial resources to meet any liabilities should a derivatives clearing member become insolvent and unable to pay its full losses to SGX-DT. The resources available to SGX-DT would be utilised in the following priority:

- (a) the defaulting derivatives clearing member’s margin deposits, security deposits, letters of credit and/or all other assets and securities of that derivatives clearing member;
- (b) surplus funds of SGX-DT which are in excess of funds necessary for normal operations;
- (c) up to one half of the SIMEX Compensation Fund (Note 14);

SINGAPORE EXCHANGE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

23. Common bond system (continued)

(d) security deposits in equal amounts from each non-defaulting derivatives clearing member; and

(e) further assessments on derivatives clearing members based on a formula that takes into consideration of their capital requirements and share of volume and open interest on SGX-DT (capped at S\$8,000,000 if a letter of credit in that amount is posted with SGX-DT to comply with adjusted net capital requirements).

24. Commitments for expenditure

(a) *Capital commitments*

Capital commitments not provided for in the financial statements are as follows:

	The Group	The Company
	S\$'000	S\$'000
Expenditure contracted for		
—computers	26,682	—
—properties under development	122,459	—
	149,141	—

(b) *Lease commitments*

Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are payable as follows:

	The Group	The Company
	S\$'000	S\$'000
Not later than one financial year	17,808	10,333
Later than one financial year but not later than five financial years	34,532	25,831
Later than five financial years	4,834	4,154
	57,174	40,318

25. Related party transactions

Certain directors are also directors of stockbroking or futures broking companies. The Group, in the normal course of business, enters into transactions under prevailing commercial terms and conditions with corporations with which these directors are either related or employed.

26. Number of employees

The number of employees as at 30 June 2000 was 718.

27. Comparatives

There are no comparative figures as this is the Company's first financial period since incorporation.

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Singapore Exchange Securities Trading Limited
(formerly known as “Stock Exchange of Singapore Limited”)
20 Cecil Street
#26-01/08 Singapore Exchange
Singapore 049705

We have audited the accompanying consolidated balance sheets of Singapore Exchange Securities Trading Limited (formerly known as “Stock Exchange of Singapore Limited”) and its subsidiary companies as of 30 June 1998, 30 June 1999 and 30 November 1999, and the consolidated profit and loss accounts, statement of changes of equity, and cash flow statement for the financial years ended 30 June 1998, 30 June 1999 and the five-month period ended 30 November 1999. These consolidated financial statements are the responsibility of the Company’s directors. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the above mentioned consolidated financial statements of the Group, expressed in Singapore dollars, give a true and fair view of the financial position of Singapore Exchange Securities Trading Limited and its subsidiary companies as at 30 June 1998, 30 June 1999 and 30 November 1999, the results of operations, changes in equity, and in cash flows for the financial years ended 30 June 1998, 30 June 1999 and the five-month period ended 30 November 1999, in accordance with Singapore Statements of Accounting Standard.

PricewaterhouseCoopers
Certified Public Accountants

Singapore, 5 October 2000

SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
(formerly known as “Stock Exchange of Singapore Limited”)
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

As at 30 June 1998 and 1999 and 30 November 1999

	Notes	As at 30 June 1998 S\$'000	As at 30 June 1999 S\$'000	As at 30 November 1999 S\$'000
Current assets				
Amount due from related company				
—trade		533	661	—
—non-trade		1,080	4,510	243
Securities clearing funds	3	960	33,103	33,684
Trade receivables	4	284,108	1,039,681	545,978
Other debtors	5	9,174	10,482	16,511
Short term loans	6	—	—	—
Cash margin deposits		159	139	46
Cash and cash equivalents	7	291,487	315,414	366,596
		<u>587,501</u>	<u>1,403,990</u>	<u>963,058</u>
Non-current assets				
Fixed assets	8	36,920	37,052	45,556
Property under development	9	75,901	94,205	94,205
Investments	11	16,836	33,858	33,539
Pre-operating expenses	12	18	—	—
		<u>129,675</u>	<u>165,115</u>	<u>173,300</u>
Assets of fidelity fund	13	23,908	27,500	28,963
Total assets		<u>741,084</u>	<u>1,596,605</u>	<u>1,165,321</u>
Current liabilities				
Due to fidelity fund	13	6,112	3,661	1,142
Clearing member's contributions to clearing funds	3	960	8,103	8,684
Trade creditors		276,833	1,006,421	532,534
Amount due to related company		706	550	1,077
Taxation		24,690	37,307	36,215
Cash margin deposits		159	139	46
Other creditors	14	3,185	5,247	2,340
		<u>312,645</u>	<u>1,061,428</u>	<u>582,038</u>
Non-current liability				
Deferred tax	15	2,710	2,203	2,203
Total liabilities		<u>315,355</u>	<u>1,063,631</u>	<u>584,241</u>
Net assets		<u>425,729</u>	<u>532,974</u>	<u>581,080</u>
Equity and liabilities				
Share capital	16	*	*	*
Reserves		401,821	505,474	552,117
		<u>401,821</u>	<u>505,474</u>	<u>552,117</u>
Fidelity fund				
Accumulated funds	13	23,908	27,500	28,963
		<u>425,729</u>	<u>532,974</u>	<u>581,080</u>

* 30 November 1999: S\$34
30 June 1999: S\$34
30 June 1998: S\$35

The accompanying notes form an integral part of the financial statements.

SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
 (formerly known as “Stock Exchange of Singapore Limited”)
 AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNTS
*For the financial years ended 30 June 1998 and 1999 and
 the financial period from 1 July 1999 to 30 November 1999*

	<u>Notes</u>	<u>Year ended 30 June 1998</u>	<u>Year ended 30 June 1999</u>	<u>Five months ended 30 November 1999</u>
		S\$'000	S\$'000	S\$'000
Operating revenue				
Clearing fees		38,318	95,478	45,507
Account maintenance and processing fees		27,003	25,847	13,743
Rental of computer terminals		24,096	23,227	10,005
Listing and membership fees		8,808	6,807	4,323
Price information fees		1,052	1,217	478
Other		11,445	9,774	4,694
		<u>110,722</u>	<u>162,350</u>	<u>78,750</u>
Expenses				
Staff costs		14,592	16,942	8,860
Occupancy costs		2,502	2,619	1,452
Depreciation		5,839	5,572	2,267
Equipment maintenance and rental		3,618	5,181	2,603
Other costs		4,837	8,061	4,737
		<u>31,388</u>	<u>38,375</u>	<u>19,919</u>
Total operating expenses		<u>31,388</u>	<u>38,375</u>	<u>19,919</u>
Profit from operating activities before tax	18	79,334	123,975	58,831
Non-operating revenue				
Interest				
– bank deposits		11,617	14,277	4,954
– unquoted investments		412	225	34
– quoted investments		625	923	476
– others		52	337	7
		<u>12,706</u>	<u>15,762</u>	<u>5,471</u>
Other non-operating revenue		378	380	379
		<u>13,084</u>	<u>16,142</u>	<u>5,850</u>
Profit before tax		92,418	140,117	64,681
Tax	19	(24,477)	(33,514)	(16,814)
Profit after tax		67,941	106,603	47,867
Contribution to fidelity fund		(2,727)	(2,950)	(1,224)
Profit after tax and contribution to fidelity fund		<u>65,214</u>	<u>103,653</u>	<u>46,643</u>

The accompanying notes form an integral part of the financial statements.

SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
(formerly known as “Stock Exchange of Singapore Limited”)
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the financial years ended 30 June 1998 and 1999 and the financial period from
1 July 1999 to 30 November 1999*

	Clearing fund reserve	Share capital	Share premium	General reserve	Retained profit	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 30 June 1996	—	*	85,800	1,116	198,446	285,362
Net profit for the year	—	—	—	—	51,245	51,245
Balance as at 30 June 1997	—	*	85,800	1,116	249,691	336,607
Net profit for the year	—	—	—	—	65,214	65,214
Balance as at 30 June 1998	—	*	85,800	1,116	314,905	401,821
Net profit for the year	—	—	—	—	103,653	103,653
Cancellation of share	—	**	—	—	—	—
Contribution to clearing fund	25,000	—	—	—	(25,000)	—
Balance as at 30 June 1999	25,000	***	85,800	1,116	393,558	505,474
Net profit for the period	—	—	—	—	46,643	46,643
Balance as at 30 November 1999	25,000	***	85,800	1,116	440,201	552,117

* : S\$35

** : (S\$1)

*** : S\$34

The accompanying notes form an integral part of the financial statements.

SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
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CONSOLIDATED CASH FLOW STATEMENT

*For the financial years ended 30 June 1998 and June 1999 and the financial period
from 1 July 1999 to 30 November 1999*

	Note	Year ended 30 June 1998	Year ended 30 June 1999	Five months ended 30 November 1999
		S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Operating profit before taxation		92,418	140,117	64,681
Adjustments for non-cash items:				
Profit on sale of investment		—	(42)	—
Depreciation		5,839	5,572	2,267
Fixed assets written off		5	1	108
Amortisation of premium on long-term investments		200	190	69
Provision of short-term loans written back		(36)	—	—
Net profit from sale of fixed assets		(150)	(126)	(68)
Interest income (financing)		(11,617)	(14,277)	(5,470)
Interest income (investing)		(1,089)	(1,485)	—
Operating profit before working capital changes:		85,570	129,950	61,587
Decrease/(increase) in debtors		160,164	(760,595)	493,129
(Decrease)/increase in creditors		(167,979)	731,650	(476,794)
Cash generated from operations		77,755	101,005	77,922
Contribution to fidelity fund		(2,430)	(5,186)	(3,661)
Members' contribution to clearing fund		—	7,233	581
Income tax paid		(20,342)	(21,619)	(17,989)
Repayment of short-term loans		36	—	—
Pre-operating expenses		(9)	18	—
Net cash from operating activities		<u>55,010</u>	<u>81,451</u>	<u>56,853</u>
Cash flows from investing activities				
Proceeds from sale of club membership		—	—	174
Proceeds from sale of fixed assets		291	128	76
Purchase of fixed assets		(4,305)	(5,707)	(10,887)
Purchase of leasehold property under construction		(25,887)	(18,304)	—
Proceeds from sale of investments		—	1,095	—
Purchase of investments		(2,000)	(18,265)	(2,923)
Interest income		1,089	1,485	—
Proceeds from redemption of bonds		—	—	3,000
Net cash outflow from investing activities		<u>(30,812)</u>	<u>(39,568)</u>	<u>(10,560)</u>
Cash flows from financing activities				
Interest income		11,617	14,277	5,470
Net cash inflow from financing activities		<u>11,617</u>	<u>14,277</u>	<u>5,470</u>
Net increase in cash and cash equivalents held		35,815	56,160	51,763
Cash and cash equivalents at the beginning of the financial year/period		255,672	291,487	315,414
Transfer of assets to clearing funds		—	(32,233)	(581)
Cash and cash equivalents at the end of the financial year/period	7	<u>291,487</u>	<u>315,414</u>	<u>366,596</u>

The accompanying notes form an integral part of the financial statements.

SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the financial years ended 30 June 1998 and 1999 and the financial period from 1 July 1999
to 30 November 1999*

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

The Company is incorporated in Singapore and the financial statements of the Company and the consolidated financial statements of the Group are expressed in Singapore dollars.

The principal activities of the Company consist of the provision and maintenance of facilities for conducting the business of a stock exchange in Singapore as well as the regulation and the preservation of a stock exchange and stockbroking system in Singapore. The principal activities of its subsidiary companies are set out in Note 10 to the financial statements.

2. Significant accounting policies

(a) *Basis of accounting*

The financial statements are prepared in accordance with the historical cost convention. The accounting policies adopted are consistent with those of the preceding financial year.

(b) *Basis of consolidation*

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. Intercompany balances and transactions and resulting unrealised profits are eliminated in full on consolidation. Unrealised losses resulting from intercompany transactions are also eliminated unless cost cannot be recovered.

(c) *Depreciation*

Depreciation is calculated on a straight-line basis so as to write off the cost of fixed assets over the expected useful lives. The annual rates used for this purpose are:

Freehold building	30 years
Leasehold improvements	5 years
Furniture, fittings and office equipment	3 to 5 years
Computers	3 years
Motor vehicles	4 years

No depreciation is provided on freehold land. Leasehold land and building is amortised over the period of its lease.

(d) *Investments*

Investments are stated in the financial statements at cost. Provision is made in recognition of a diminution in the value of the investments which is other than temporary, determined on an individual investment basis.

Premiums paid on bonds are amortised over the period to maturity.

Interest income is accrued on a day to day basis. Profits or losses on disposal of investments are taken to the profit and loss accounts.

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2. Significant accounting policies (continued)

(e) Bad and doubtful debts

Bad debts are written off and specific provisions are made for those debts considered to be doubtful.

(f) Taxation

Tax expense is determined on the basis of tax effect accounting using the liability method. Deferred taxation is provided on significant timing differences arising from the different treatment in accounting and taxation of relevant items except where it can be demonstrated with reasonable probability that the tax deferral will continue for the foreseeable future.

In accounting for timing differences, deferred tax debits are not accounted for unless there is reasonable expectation of their realisation.

(g) Revenue recognition

Revenue is recognized on the following bases:

- (i) listing, subscription fees, maintenance fees and computer rental income on a time proportion basis;
- (ii) clearing and settlement income, on a trade date basis;
- (iii) price information fees, processing and other income, when services are rendered; and
- (iv) interest income, on a time proportion basis.

(h) Property under development

Property under development represents an interest in land and building in respect of which construction work and development has not been completed and which is intended to be held on a long term basis for its investment potential. Such property is stated at cost and provision is made for any diminution in value considered to be other than temporary.

3. Securities clearing funds' assets

(a) CDP clearing fund reserve

During the financial year ended 30 June 1999, a subsidiary, The Central Depository (Pte) Limited (“CDP”), established a clearing fund as provided under the clearing rules of CDP. The clearing fund is to provide resources to enable the company to discharge the obligations and liabilities of defaulting clearing members arising from their transactions in approved securities.

CDP has prescribed that the initial contributed fund will be S\$160 million. The company has contributed S\$25 million in cash to the clearing fund during the financial year ended 30 June 1999. No contributions were made by the Company to the clearing fund during the period ended 30 November 1999. Clearing members are required to contribute a total of at least S\$15 million in cash or an equivalent amount in the form of bank guarantees, each member's contribution being in proportion to their market share. CDP has also purchased S\$45 million insurance cover and provided a standby credit facility of S\$75 million to the clearing fund.

All cash contributions were placed in an interest-bearing account and interest earned on such contributions shall accrue to the contributors.

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3. Securities clearing funds’ assets (continued)

(b) Options clearing fund

The clearing fund is established under the Company’s Bye-Law—Exchange Options Trading & OCC Regulations for Share Option Business. The purpose of the clearing fund is to make good any losses suffered by a subsidiary as a result of option dealings conducted between clearing members.

(c) Securities clearing fund contributions comprise:

	As at 30 June		As at
	1998	1999	30 November 1999
	S\$’000	S\$’000	S\$’000
Cash contributions by CDP	—	25,000	25,000
Cash contributions by CDP clearing members	—	7,233	7,814
Cash contributions by OCC clearing members	960	870	870
	960	33,103	33,684
Contributions by clearing members in the form of bank guarantees . . .	—	10,089	10,822

The bank guarantees are not included in the Group’s balance sheet.

The contributions of clearing members are included in the current liabilities of the Group. The contributions by CDP are included in the reserves of the Group.

4. Trade debtors

	As at 30 June		As at
	1998	1999	30 November 1999
	S\$’000	S\$’000	S\$’000
Trade debtors	284,128	1,039,699	546,748
Less: Provision for doubtful debts	(20)	(18)	(770)
	284,108	1,039,681	545,978
Movements in provision for doubtful debts are as follows:			
Balance at the beginning of the financial year/period	11	20	18
Net provision made during the year/period	9	2	752
Bad debts written off against provision	—	(4)	—
Balance at the end of the financial year/period	20	18	770

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Other debtors

Other debtors comprise:

	As at 30 June		As at
	1998	1999	30 November 1999
	S\$'000	S\$'000	S\$'000
Brokerage receivable	28	276	340
Prepayments	1,395	716	1,677
Deposits	666	762	1,044
Staff advance	7	4	5
Professional fees and other expenses paid for SES/SIMEX merger* . .	—	2,172	7,352
Interest receivable	6,633	6,221	5,238
Others	445	331	855
	9,174	10,482	16,511

* The merger-related expenses paid by the Company will be reimbursed from the proceeds arising from the sale of shares of the new holding company incorporated for the purposes of the merger and demutualisation of the Company.

6. Short term loans

Details of short term loans granted together with the security obtained are as follows:

	Interest Rate	Repayment terms	As at 30 June		As at 30
			1998	1999	November 1999
			S\$'000	S\$'000	S\$'000
(i) A preferential lien on the member company's seat in the Company	Interest-free	On demand	2,198	2,198	2,198
(ii) Deed of Assignment of the accounts receivables, a Memorandum of Deposit of certain stocks and shares, a joint and several guarantee by certain directors of that member company and a preferential lien on the member company's seat in the Company	No interest charged since 1 July 1987	On demand	14,601	—	—
			16,799	2,198	2,198
Less: Provision			(16,799)	(2,198)	(2,198)
			—	—	—
Bad loans written off against provision			—	14,601	—

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Cash and cash equivalents

	As at 30 June		As at
	1998	1999	30 November 1999
	S\$'000	S\$'000	S\$'000
Bank and cash balances	2,993	2,781	4,378
Fixed deposits with financial institutions	288,494	312,633	362,218
	291,487	315,414	366,596

8. Fixed assets

	Freehold land and building	Leasehold land and building	Leasehold improvements	Furniture and fittings	Office equipment	Computers and software	Motor vehicles	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Year ended 30 June 1998								
Cost								
At 1 July 1997	30,895	433	4,515	2,334	1,680	54,246	878	94,981
Additions	—	—	2,001	42	229	2,033	—	4,305
Disposals	—	—	(127)	(26)	(100)	(10,512)	—	(10,765)
At 30 June 1998	30,895	433	6,389	2,350	1,809	45,767	878	88,521
Depreciation								
At 1 July 1997	551	5	2,343	1,805	1,440	49,571	666	56,381
Charge for the year	275	5	1,245	299	262	3,541	212	5,839
Disposals	—	—	(26)	(1)	(83)	(10,509)	—	(10,619)
At 30 June 1998	826	10	3,562	2,103	1,619	42,603	878	51,601
Net book value at 30 June 1998	30,069	423	2,827	247	190	3,164	—	36,920
Year ended 30 June 1999								
Cost								
At 1 July 1998	30,895	433	6,389	2,350	1,809	45,767	878	88,521
Additions	—	—	45	128	229	5,211	94	5,707
Disposals	—	—	—	—	(48)	(2,406)	(32)	(2,486)
At 30 June 1999	30,895	433	6,434	2,478	1,990	48,572	940	91,742
Depreciation								
At 1 July 1998	826	10	3,562	2,103	1,619	42,603	878	51,601
Charge for the year	275	5	860	135	152	4,129	16	5,572
Disposals	—	—	—	—	(46)	(2,405)	(32)	(2,483)
At 30 June 1999	1,101	15	4,422	2,238	1,725	44,327	862	54,690
Net book value at 30 June 1999	29,794	418	2,012	240	265	4,245	78	37,052
Five-months ended 30 Nov 1999								
Cost								
At 1 July 1999	30,895	433	6,434	2,478	1,990	48,572	940	91,742
Additions	—	—	585	58	70	10,174	—	10,887
Disposals	—	—	—	(1)	(74)	(13,473)	(846)	(14,394)
At 30 Nov 1999	30,895	433	7,019	2,535	1,986	45,273	94	88,235
Depreciation								
At 1 July 1999	1,101	15	4,422	2,238	1,725	44,327	862	54,690
Charge for the period	115	1	344	42	14	1,741	10	2,267
Disposals	—	—	—	(1)	(28)	(13,403)	(846)	(14,278)
At 30 Nov 1999	1,216	16	4,766	2,279	1,711	32,665	26	42,679
Net book value at 30 Nov 1999	29,679	417	2,253	256	275	12,608	68	45,556

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Leasehold property under construction

This relates to progress payments made for the purchase of a number of floors of a leasehold property at 2 Shenton Way, Singapore Exchange Centre, Singapore 068804, which is still under construction. The lease tenure of the property is 99 years, commencing from 13 November 1995. The progress payments are analysed as follows:

	As at 30 June		As at
	1998	1999	30 November 1999
	S\$'000	S\$'000	S\$'000
For purchase by the Company	48,960	61,031	61,031
For purchase by a subsidiary company	26,941	33,174	33,174
	75,901	94,205	94,205

10. Subsidiary companies

The details of the Group's subsidiary companies of Stock Exchange of Singapore Limited are as follows:

Name of Subsidiary	Principal Activities	Country of Incorporation/ Business Carried on in	Effective interest of the Group As at 30 June 1998 and 1999 and 30 November 1999
			%
Options Clearing Company (Pte) Limited	Provide facilities for the registration of options relating to marketable securities	Singapore	100
Macrovision Systems Pte Ltd	Provide computer services and maintenance, leasing and rental of software and hardware, developing applications and software maintenance	Singapore	100
*The Central Depository (Pte) Limited	Provide clearing, depository and related services for securities eligible for book entry transactions	Singapore	100
*CDP Nominees Pte Ltd	Business of nominees and to provide depository and related services for securities eligible for book entry transactions—Dormant	Singapore	—
*CDP Nominees (II) Pte Ltd	Business of nominees and to provide depository and related services for securities eligible for book entry transactions—Dormant	Singapore	—
*Asiaclear Pte Ltd	Clearing and settlement services for contracts relating to securities—Dormant	Singapore	—
*Globalclear Pte Ltd	Clearing and settlement services for contracts relating to securities—Dormant	Singapore	—

* Companies audited by another firm of accountants for the financial years ended 30 June 1998 and 1999.

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11. Investments

	As at 30 June				As at 30 November 1999	
	1998		1999		Cost	Market Value
	Cost	Market Value	Cost	Market Value		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<i>(i) Quoted</i>						
Loan stocks and bonds, at cost	11,304		27,207		26,332	
Less: Amortisation of premium	(919)		(1,038)		(308)	
	<u>10,385</u>	<u>10,661</u>	<u>26,169</u>	<u>26,523</u>	<u>26,024</u>	<u>26,360</u>
<i>(ii) Unquoted</i>						
Unquoted bonds, at cost	6,000		7,250		7,250	
Equity shares, at cost	*		*		*	
Corporate club memberships, at cost	451		439		265	
	<u>16,836</u>		<u>33,858</u>		<u>33,539</u>	

* Equity shares: 30 June 1998: \$6, 30 June 1999: \$7, 30 November 1999: \$7

The unquoted investment in equity shares represents the Group's interest of 17.6% at 30 June 1998, and 20.6% at 30 June 1999 and 30 November 1999, in Securities Clearing and Computer Services (Pte) Ltd (“SCCS”) which is managed by the Company and for which a management fee is charged.

The Company's increased interest in SCCS arose as part of a settlement agreement with the liquidators of a member company whereby the member company's one share in SCCS was transferred to the Company.

The results of SCCS have not been equity-accounted for in the results of the Group for the financial year ended 30 June 1999 and financial period ended 30 November 1999 as the Company's interest in SCCS will be relinquished upon the merger of the Company with the Singapore International Monetary Exchange Limited (“SIMEX”) on 1 December 1999.

12. Pre-operating expenses

	As at 30 June		As at 30 November 1999
	1998	1999	
	S\$'000	S\$'000	S\$'000
Balance at the beginning of the financial year/period	9	18	—
Write-off of pre-operating and incorporation expenses of subsidiaries . .	—	(18)	—
Pre-operating and incorporation expenses of subsidiaries	9	—	—
Balance at the end of the financial year/period	<u>18</u>	<u>—</u>	<u>—</u>

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13. Fidelity fund

The assets of the fidelity fund comprise:

	<u>As at 30 June</u>		<u>As at</u>
	<u>1998</u>	<u>1999</u>	<u>30 November</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>1999</u>
			<u>S\$'000</u>
Due by General Fund	6,112	3,661	1,142
Interest receivable	458	531	278
Fixed deposits	17,336	23,306	27,541
Bank balance	<u>2</u>	<u>2</u>	<u>2</u>
	<u>23,908</u>	<u>27,500</u>	<u>28,963</u>
Income and Expenditure Account of the fidelity fund:			
Interest income on fixed deposits	542	857	321
Taxation	<u>(141)</u>	<u>(215)</u>	<u>(82)</u>
Net income after taxation	<u>401</u>	<u>642</u>	<u>239</u>

The fidelity fund is established under Section 75 of the Securities Industry Act (Chapter 289). The purpose of the fidelity fund is to meet claims from persons who have suffered pecuniary losses in their dealings with member companies.

14. Other creditors

Other creditors comprise mainly:

	<u>As at 30 June</u>		<u>As at</u>
	<u>1998</u>	<u>1999</u>	<u>30 November</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>1999</u>
			<u>S\$'000</u>
Advanced billings and receipts	1,051	1,156	708
Purchase of fixed assets	877	306	—
Provision for bonus and CPF	610	749	726
Provision for donation	—	1,500	—
Others	<u>647</u>	<u>1,536</u>	<u>906</u>
	<u>3,185</u>	<u>5,247</u>	<u>2,340</u>

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15. Deferred taxation

	Years ended 30 June		Five months ended 30 November 1999
	1998	1999	1999
	S\$'000	S\$'000	S\$'000
General Fund			
Balance at the beginning of the financial year/period	2,713	2,710	2,203
Movements for the financial year/period	(3)	(507)	—
Balance at the end of the financial year/period	<u>2,710</u>	<u>2,203</u>	<u>2,203</u>
On excess of capital allowances over depreciation	860	1,171	1,171
On other timing differences	1,850	1,032	1,032
	<u>2,710</u>	<u>2,203</u>	<u>2,203</u>

16. Share capital of the Company

	Authorised			Issued and Fully Paid		
	As at 30 June		As at 30 November	As at 30 June		As at 30 November
	1998	1999	1999	1998	1999	1999
	S\$'000	S\$'000	S\$'000	S\$	S\$	S\$
Ordinary shares of S\$1 each	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>35</u>	<u>34</u>	<u>34</u>

During the financial year ended 30 June 1999, the issued share capital was reduced by S\$1 to S\$34 through a capital reduction exercise arising from a settlement agreement with the liquidators of a member company.

17. Related party transactions

During the financial years/period, there were the following significant transactions between the Group and related parties on terms arranged by or between the parties concerned:

	Years ended 30 June		Five months ended 30 November 1999
	1998	1999	1999
	S\$'000	S\$'000	S\$'000
Management fee charged to associated company	4,916	2,872	1,015
Technical support fee payable to associated company	1,116	2,257	1,373

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18. Operating profit

Operating profit is arrived at after:

	Years ended 30 June		Five months ended 30 November 1999
	1998 S\$'000	1999 S\$'000	S\$'000
<i>Charging:</i>			
Depreciation of:			
Freehold building	275	275	115
Leasehold land and building	5	5	1
Leasehold improvements	1,245	860	344
Furniture and fittings	299	135	42
Office equipment	262	152	14
Computers and software	3,541	4,129	1,741
Motor vehicles	212	16	10
	5,839	5,572	2,267
Amortisation of premium on long term investments	200	190	69
Remuneration of a director of the Company	426	426	213
Auditors' remuneration:			
Payable to the auditors of the Company	45	43	34
Payable to other auditors	26	27	—
	71	70	34
Fixed assets written off	5	1	108
Stocks written off	—	39	96
Provision for doubtful trade debts	9	3	752
Bad trade debts written off	27	—	15
Loss from sale of fixed assets	1	—	10
<i>And crediting:</i>			
Net exchange gain	169	43	—
Provision written back for			
– short-term loans	36	—	—
– doubtful trade debts	—	1	—
Profit from sale of fixed assets	151	126	78
Profit from sale of investments	—	42	—
Pre-operating expenses written off	—	18	—

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19. Taxation

General Fund

	<u>Years ended</u> <u>30 June</u>		<u>Five months</u> <u>ended</u> <u>30 November</u> <u>1999</u>
	<u>1998</u>	<u>1999</u>	<u>1999</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Taxation charge in respect of the profit for the financial year/period:			
Current taxation	24,440	36,586	16,814
Deferred taxation	<u>(3)</u>	<u>(506)</u>	<u>—</u>
	24,437	36,080	16,814
Prior year item:			
Under/(over) provision of Singapore income tax	<u>40</u>	<u>(2,566)</u>	<u>—</u>
	<u>24,477</u>	<u>33,514</u>	<u>16,814</u>

20. Commitments

(a) The Group and the Company have the following commitments for future rental payments, pursuant to tenancy and other lease agreements:

	<u>As at 30 June</u>		<u>As at</u> <u>30 November</u> <u>1999</u>
	<u>1998</u>	<u>1999</u>	<u>1999</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Within one year	2,877	3,170	6,547
Between one and five years	9,722	10,542	27,414
After five years	<u>5,663</u>	<u>4,585</u>	<u>2,852</u>
	<u>18,262</u>	<u>18,297</u>	<u>36,813</u>

(b) Capital commitments contracted but not provided for in the financial statements are as follows:

	<u>As at 30 June</u>		<u>As at</u> <u>30 November</u> <u>1999</u>
	<u>1998</u>	<u>1999</u>	<u>1999</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Renovation expenditure	877	218	—
Leasehold property under construction	105,959	91,145	91,145
Purchase of fixed assets	<u>46</u>	<u>8,631</u>	<u>—</u>
	<u>106,882</u>	<u>99,994</u>	<u>91,145</u>

SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
(formerly known as “Stock Exchange of Singapore Limited”)
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Subsequent events

On 4 November 1998, the Singapore government announced that the Stock Exchange of Singapore Limited (“SES”) and Singapore International Monetary Exchange Limited (“SIMEX”) would be merged and demutualised.

On 1 December 1999, pursuant to the Exchanges (Demutualisation and Merger) Act 1999, the shares of the Company were cancelled and 34 new ordinary shares of S\$1 each were issued to the transferee holding company, Singapore Exchange Limited.

Subsequent to the merger, the Company’s subsidiary companies, The Central Depository (Pte) Limited and Macrovision Systems Pte Limited (now known as Singapore Exchange IT Solutions Pte Limited) were transferred to the holding company at book cost of S\$15,000,000 and S\$2 respectively. The subsidiary company, Options Clearing Company (Pte) Limited, was transferred to The Central Depository (Pte) Limited at book cost of S\$200,000.

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Singapore Exchange Derivatives Trading Limited
(formerly known as “Singapore International Monetary Exchange Limited”)
20 Cecil Street
#26-01/08 Singapore Exchange
Singapore 049705

We have audited the accompanying consolidated balance sheets of Singapore Exchange Derivatives Trading Limited (formerly known as “Singapore International Monetary Exchange Limited”) and its subsidiary company as of 31 December 1997, 31 December 1998, 30 June 1999 and 30 November 1999, and the consolidated profit and loss accounts, statement of changes in equity, and cash flow statement for the financial years ended 31 December 1997, 31 December 1998, the six-month period ended 30 June 1999, and the five-month period ended 30 November 1999. These consolidated financial statements are the responsibility of the Company’s directors. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the abovementioned consolidated financial statements, expressed in Singapore dollars, give a true and fair view of the financial position of Singapore Exchange Derivatives Trading Limited and its subsidiary company as at 31 December 1997, 31 December 1998, 30 June 1999, and 30 November 1999, the results of operations, changes in equity, and cash flows for the financial years ended 31 December 1997 and 31 December 1998, the six-month period ended 30 June 1999, and the five-month period ended 30 November 1999, in accordance with Singapore Statements of Accounting Standard.

PricewaterhouseCoopers
Certified Public Accountants

Singapore, 5 October 2000

SINGAPORE EXCHANGE DERIVATIVES TRADING LIMITED
(formerly known as “Singapore International Monetary Exchange Limited”)
AND ITS SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEETS

As at 31 December 1997, 31 December 1998, 30 June 1999 and 30 November 1999

	<u>Notes</u>	<u>As at 31 December 1997</u>	<u>As at 31 December 1998</u>	<u>As at 30 June 1999</u>	<u>As at 30 November 1999</u>
		<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Current Assets					
Margin funds and settlement variation relating to					
derivatives contracts	3	1,697,534	1,745,396	1,897,636	2,401,602
Security deposits of clearing members	4	18,774	18,685	16,245	24,108
Investments	5	3,510	3,470	4,602	5,056
Other debtors	6	8,976	6,714	9,179	6,725
Cash and cash equivalents	7	75,209	77,504	75,773	74,048
		<u>1,804,003</u>	<u>1,851,769</u>	<u>2,003,435</u>	<u>2,511,539</u>
Non-Current Assets					
Fixed assets	8	5,393	7,840	8,916	16,127
Properties under development	9	26,431	42,208	49,223	55,231
Club memberships		390	200	200	200
		<u>32,214</u>	<u>50,248</u>	<u>58,339</u>	<u>71,558</u>
Net assets of SIMEX Fidelity Fund	11	<u>10,964</u>	<u>12,754</u>	<u>14,820</u>	<u>14,954</u>
Total assets		<u>1,847,181</u>	<u>1,914,771</u>	<u>2,076,594</u>	<u>2,598,051</u>
Current Liabilities					
Clearing members' margin deposits and settlement					
variation	3	1,697,534	1,745,396	1,897,636	2,401,602
Clearing members' security deposits	4	18,774	18,685	16,245	24,108
Due to SIMEX Fidelity Fund	11	1,350	1,935	1,190	1,407
Other creditors and accruals	13	8,427	9,192	9,380	16,882
Taxation		698	1,026	820	411
		<u>1,726,783</u>	<u>1,776,234</u>	<u>1,925,271</u>	<u>2,444,410</u>
Non-Current Liability					
Deferred tax		851	255	255	255
Total liabilities		<u>1,727,634</u>	<u>1,776,489</u>	<u>1,925,526</u>	<u>2,444,665</u>
Net assets		<u>119,547</u>	<u>138,282</u>	<u>151,068</u>	<u>153,386</u>
Equity and reserves					
Share capital	14	4,000	4,000	4,000	4,000
Reserves		104,583	121,528	132,248	134,432
		<u>108,583</u>	<u>125,528</u>	<u>136,248</u>	<u>138,432</u>
SIMEX Fidelity Fund	11	<u>10,964</u>	<u>12,754</u>	<u>14,820</u>	<u>14,954</u>
		<u>119,547</u>	<u>138,282</u>	<u>151,068</u>	<u>153,386</u>

The accompanying notes form an integral part of the accounts.

SINGAPORE EXCHANGE DERIVATIVES TRADING LIMITED
(formerly known as “Singapore International Monetary Exchange Limited”)
AND ITS SUBSIDIARY COMPANY

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

*For the financial years ended 31 December 1997 and 31 December 1998 and the financial periods
from 1 January 1999 to 30 June 1999 and from 1 July 1999 to 30 November 1999*

	Notes	Year ended 31 December 1997	Year ended 31 December 1998	Six months ended 30 June 1999	Five months ended 30 November 1999
		S\$'000	S\$'000	S\$'000	S\$'000
Operating revenue					
Clearing fees (net of rebates)		34,167	40,760	20,750	15,857
Rental of computer terminals		346	490	361	367
Membership fees		661	792	443	122
Price information fees		3,911	5,240	2,610	2,361
Other operating revenue		4,909	5,255	2,130	1,582
Total operating revenue		<u>43,994</u>	<u>52,537</u>	<u>26,294</u>	<u>20,289</u>
Operating expenses					
Staff costs		14,081	15,328	6,645	7,939
Occupancy costs		5,181	5,827	2,865	2,518
Depreciation		2,193	2,593	1,647	2,133
Equipment maintenance & rental		2,467	2,405	1,199	1,782
Other operating expenses		6,507	9,482	3,901	4,486
Total operating expenses		<u>30,429</u>	<u>35,635</u>	<u>16,257</u>	<u>18,858</u>
Profit from operating activities before tax					
tax		13,565	16,902	10,037	1,431
Non-operating income					
Interest and dividend income		2,684	3,423	1,092	710
Other non-operating income		—	—	1,076	454
Total non-operating income		<u>2,684</u>	<u>3,423</u>	<u>2,168</u>	<u>1,164</u>
Non-operating expense					
Other non-operating expense		1,490	40	—	—
Profit before tax	15	14,759	20,285	12,205	2,595
Tax	16	(1,368)	(902)	(301)	(191)
Profit after tax		13,391	19,383	11,904	2,404
Contribution to:					
- The SIMEX Fidelity Fund	11	(1,350)	(1,935)	(1,190)	(217)
- The SIMEX Compensation Fund	12	—	(500)	—	—
Profit retained for the financial year/period		<u>12,041</u>	<u>16,948</u>	<u>10,714</u>	<u>2,187</u>

The accompanying notes form an integral part of the accounts.

SINGAPORE EXCHANGE DERIVATIVES TRADING LIMITED
(formerly known as “Singapore International Monetary Exchange Limited”)
AND ITS SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF EQUITY

*For the financial years ended 31 December 1997 and 31 December 1998 and the financial periods from
1 January 1999 to 30 June 1999 and from 1 July 1999 to 30 November 1999*

	<u>Share capital</u>	<u>Share premium</u>	<u>Cumulative translation adjustment</u>	<u>General reserve</u>	<u>Retained profits</u>	<u>Total</u>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 1997	4,000	20	—	90,483	2,021	96,524
Profit retained for the financial year	—	—	—	—	12,041	12,041
Transfer to general reserve	—	—	—	12,026	(12,026)	—
Adjustment during financial year	—	—	18	—	—	18
Balance as at 31 December 1997	<u>4,000</u>	<u>20</u>	<u>18</u>	<u>102,509</u>	<u>2,036</u>	<u>108,583</u>
Balance as at 1 January 1998	4,000	20	18	102,509	2,036	108,583
Profit retained for the financial year	—	—	—	—	16,948	16,948
Transfer to general reserve	—	—	—	16,897	(16,897)	—
Adjustment during financial year	—	—	(3)	—	—	(3)
Balance as at 31 December 1998	<u>4,000</u>	<u>20</u>	<u>15</u>	<u>119,406</u>	<u>2,087</u>	<u>125,528</u>
Balance as at 1 January 1999	4,000	20	15	119,406	2,087	125,528
Profit retained for the financial period	—	—	—	—	10,714	10,714
Transfer to general reserve	—	—	—	10,705	(10,705)	—
Adjustment during financial period	—	—	6	—	—	6
Balance as at 30 June 1999	<u>4,000</u>	<u>20</u>	<u>21</u>	<u>130,111</u>	<u>2,096</u>	<u>136,248</u>
Balance as at 1 July 1999	4,000	20	21	130,111	2,096	136,248
Profit retained for the financial period	—	—	—	—	2,187	2,187
Transfer to general reserve	—	—	—	1,956	(1,956)	—
Adjustment during financial period	—	—	(3)	—	—	(3)
Balance as at 30 November 1999	<u>4,000</u>	<u>20</u>	<u>18</u>	<u>132,067</u>	<u>2,327</u>	<u>138,432</u>

The accompanying notes form an integral part of the accounts.

SINGAPORE EXCHANGE DERIVATIVES TRADING LIMITED
(formerly known as “Singapore International Monetary Exchange Limited”)
AND ITS SUBSIDIARY COMPANY

CONSOLIDATED CASH FLOW STATEMENTS

For the financial years ended 31 December 1997 and 31 December 1998 and the financial periods from 1 January 1999 to 30 June 1999 and from 1 July 1999 to 30 November 1999

	Notes	Year ended 31 December 1997	Year ended 31 December 1998	Six months ended 30 June 1999	Five months ended 30 November 1999
		S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities					
Profit before tax		14,759	20,285	12,205	2,595
Adjustments for:					
Depreciation	8	2,193	2,593	1,647	2,133
Dividend income		—	—	(76)	—
Loss on sale of fixed assets	15	—	32	—	—
Interest income					
–bank	15	(2,684)	(3,423)	(1,016)	(710)
–others	15	(2,086)	(2,765)	(977)	(522)
Interest expense					
–bank	15	68	65	—	—
Provision for diminution in value of investment	5	1,490	40	—	—
Writeback of provision for diminution in value of investment	5	—	—	(1,076)	(454)
Translation difference		18	(3)	6	(3)
Operating profit before working capital changes		13,758	16,824	10,713	3,039
(Increase) / decrease in receivables		(3,246)	2,021	(2,755)	2,522
Increase in payables		1,996	265	688	7,502
Cash generated from operations		12,508	19,110	8,646	13,063
Interest received		4,377	6,619	2,283	1,164
Interest paid		(68)	(65)	—	—
Income taxes paid		(636)	(1,170)	(507)	(600)
		16,181	24,494	10,422	13,627
Contribution to SIMEX Fidelity Fund/Compensation Fund	11,12	(2,214)	(1,350)	(2,435)	—
Net cash from operating activities		13,967	23,144	7,987	13,627
Cash flows from investing activities					
Investment in unit trust	5	—	—	(56)	—
Purchase of fixed assets	8	(2,852)	(5,072)	(2,723)	(9,344)
Payments for properties under development		(26,431)	(15,777)	(7,015)	(6,008)
Dividend received		—	—	76	—
Net cash outflow from investing activities		(29,283)	(20,849)	(9,718)	(15,352)
Net (decrease) / increase in cash and cash equivalents		(15,316)	2,295	(1,731)	(1,725)
Cash and cash equivalents at the beginning of the financial year/period		90,525	75,209	77,504	75,773
Cash and cash equivalents at the end of the financial year/period	7	75,209	77,504	75,773	74,048

The accompanying notes form an integral part of the accounts.

SINGAPORE EXCHANGE DERIVATIVES TRADING LIMITED
(formerly known as “Singapore International Monetary Exchange Limited”)
AND ITS SUBSIDIARY COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the financial years ended 31 December 1997 and 31 December 1998 and the financial periods from
1 January 1999 to 30 June 1999 and from 1 July 1999 to 30 November 1999*

These notes form an integral part of and should be read in conjunction with the accompanying accounts.

1. General

The consolidated accounts of the group are expressed in Singapore dollars.

In 1999, the Company changed its financial year from 31 December to 30 June. Accordingly, the consolidated accounts of the Group for 1999 are for the period from 1 January 1999 to 30 June 1999.

The Company, incorporated in Singapore, is principally engaged in conducting a financial futures exchange (“Futures Exchange”). The principal activities of the subsidiary company consist of marketing and disseminating information about the Futures Exchange. There have been no significant changes in the nature of these activities during the financial years/periods presented in these financial statements.

2. Significant accounting policies

(a) *Basis of accounting*

The accounts have been prepared under the historical cost convention.

(b) *Consolidation*

The consolidated accounts incorporate the accounts of the Company and its subsidiary company. The results of the subsidiary company acquired is included from the date of acquisition. All intercompany transactions and balances are eliminated on consolidation.

(c) *Investments*

Investments are stated at the lower of cost and market value on an individual basis. Cost is determined on a specific identification basis. Provision is made where there is a decline in value that is other than temporary.

(d) *Depreciation*

Fixed assets are depreciated at the following annual rates so as to write off the cost of the fixed assets in equal instalments over their estimated useful lives:

Improvements to premises	2-5 years
Furniture and fittings	10 years
Office equipment and computers	3-6.67 years
Motor vehicles	5 years

Depreciation is not provided for Artwork collection.

(e) *Revenue recognition*

Revenue is recognised on the following bases:

- i. clearing fees, net of rebates, on an accrual basis;
- ii. revenue from membership fees, including trading permits, are recognised on an accrual basis;

SINGAPORE EXCHANGE DERIVATIVES TRADING LIMITED
(formerly known as “Singapore International Monetary Exchange Limited”)
AND ITS SUBSIDIARY COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(e) *Revenue recognition (continued)*

- iii. revenue from rental of computer terminals are recognised on an accrual basis;
- iv. price information fees when services are rendered;
- v. revenue from booth rentals and other income are recognised on an accrual basis;
- vi. interest income, on a time proportion basis;
- vii. dividend income is recorded gross in the profit and loss accounts in the accounting period in which a dividend is declared payable.

(f) *Taxation*

Current taxation is provided based on the tax payable on the income for the year that is chargeable to tax.

Deferred taxation is provided using the liability method for all material timing differences in the recognition of certain income and expenses for accounting purposes and for taxation purposes. Deferred tax benefits are recognised only to the extent of any deferred tax liability or where such benefits are expected to be realisable in the near future.

(g) *Foreign currencies*

Amounts payable and receivable denominated in foreign currencies are translated into Singapore dollars at rates of exchange approximating those prevailing at the balance sheet date. Transactions in foreign currencies during the year/period are converted into Singapore dollars at the rates of exchange prevailing at transaction dates. All exchange profits or losses are taken to the profit and loss account. For inclusion in the consolidated accounts of the Group, the assets and liabilities of the foreign subsidiary company is translated into Singapore dollars at the exchange rate prevailing at the balance sheet date. The resulting exchange differences are taken to cumulative translation adjustment account. The results of the foreign subsidiary company is translated into Singapore dollars at the average exchange rates for the year/period.

(h) *Properties under development*

Properties under development represent interests in land and buildings in respect of which construction work and development have not been completed and which are intended to be held on a long term basis. Such property is stated at cost and provision is made for any diminution in value considered to be other than temporary determined on an individual basis. No depreciation is made on land whose lease is more than 50 years to expiry.

3. Margin funds and settlement variation relating to derivatives contracts

(a) These comprise:

	As at 31 December 1997	As at 31 December 1998	As at 30 June 1999	As at 30 November 1999
	S\$'000	S\$'000	S\$'000	S\$'000
Margin deposits [Note(b)]	1,691,427	1,745,153	1,896,737	2,396,628
Settlement variation	6,107	243	899	4,974
	<u>1,697,534</u>	<u>1,745,396</u>	<u>1,897,636</u>	<u>2,401,602</u>

SINGAPORE EXCHANGE DERIVATIVES TRADING LIMITED
(formerly known as “Singapore International Monetary Exchange Limited”)
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Margin funds and settlement variation relating to derivatives contracts (continued)

(b) Margin deposits relate to cash deposited by clearing members of the Group as margins for their outstanding futures contracts and are held as follows:

	<u>As at 31 December 1997</u>	<u>As at 31 December 1998</u>	<u>As at 30 June 1999</u>	<u>As at 30 November 1999</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Call deposits with banks	<u>1,691,427</u>	<u>1,745,153</u>	<u>1,896,737</u>	<u>2,396,628</u>

All cash margin deposits are placed in interest bearing accounts with banks. Interest earned on the margin deposits are returned to the clearing members, with a portion retained by the Group.

In addition, the Group holds the following amounts of government securities, primarily US government securities, and irrevocable letters of credit as collateral from clearing members in order to meet the latter's obligations to the Group for margin requirements. These government securities and irrevocable letters of credit are not included as part of the consolidated balance sheets:

	<u>As at 31 December 1997</u>	<u>As at 31 December 1998</u>	<u>As at 30 June 1999</u>	<u>As at 30 November 1999</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Quoted government securities				
—par value	<u>1,477,347</u>	<u>739,447</u>	<u>713,797</u>	<u>656,057</u>
—market value	<u>1,489,934</u>	<u>782,073</u>	<u>754,620</u>	<u>672,835</u>
Irrevocable letters of credit	<u>743,114</u>	<u>552,667</u>	<u>592,645</u>	<u>448,060</u>

4. Security deposits of clearing members

The rules of the Futures Exchange require its clearing members to deposit security for their futures trading obligations of the minimum sum of US\$250,000 in cash or an equivalent amount in the form of irrevocable letters of credit.

All cash security deposits are placed in interest bearing accounts with banks. Interest earned on the security deposits are returned to the clearing members, with a portion retained by the Group.

	<u>As at 31 December 1997</u>	<u>As at 31 December 1998</u>	<u>As at 30 June 1999</u>	<u>As at 30 November 1999</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Call deposits with banks	<u>18,774</u>	<u>18,685</u>	<u>16,245</u>	<u>24,108</u>

In addition, the Group holds the following amounts of irrevocable letters of credit from clearing members in lieu of security deposits for futures trading. These letters of credit are not included in the consolidated balance sheets.

	<u>As at 31 December 1997</u>	<u>As at 31 December 1998</u>	<u>As at 30 June 1999</u>	<u>As at 30 November 1999</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Irrevocable letters of credit	<u>101,000</u>	<u>88,000</u>	<u>94,000</u>	<u>75,000</u>

SINGAPORE EXCHANGE DERIVATIVES TRADING LIMITED
(formerly known as “Singapore International Monetary Exchange Limited”)
AND ITS SUBSIDIARY COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Investments

	<u>As at 31 December 1997</u>	<u>As at 31 December 1998</u>	<u>As at 30 June 1999</u>	<u>As at 30 November 1999</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Investment in unit trusts, at cost	5,000	5,000	5,056	5,056
Less: Provision for diminution in value of investment	(1,490)	(1,530)	(454)	—
	<u>3,510</u>	<u>3,470</u>	<u>4,602</u>	<u>5,056</u>
Market value	<u>3,510</u>	<u>3,470</u>	<u>4,852</u>	<u>4,835</u>

Movements in provision for diminution in value of investments are as follows:

	<u>As at 31 December 1997</u>	<u>As at 31 December 1998</u>	<u>As at 30 June 1999</u>	<u>As at 30 November 1999</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at the beginning of the financial year/period	—	1,490	1,530	454
Provision for the financial year/period	1,490	40	—	—
Write-back of provision	—	—	(1,076)	(454)
Balance at the end of the financial year/period	<u>1,490</u>	<u>1,530</u>	<u>454</u>	<u>—</u>

6. Other debtors

	<u>As at 31 December 1997</u>	<u>As at 31 December 1998</u>	<u>As at 30 June 1999</u>	<u>As at 30 November 1999</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Clearing fees receivable	3,967	3,340	5,801	2,844
Interest receivable	967	536	246	314
Other receivables	2,078	963	777	1,161
Staff loans	488	547	627	610
Short term advance	502	—	—	—
Deposits and prepayments	974	1,328	1,728	1,796
	<u>8,976</u>	<u>6,714</u>	<u>9,179</u>	<u>6,725</u>

Included in staff loans is an amount of S\$323,000 at 31 December 1997, S\$357,000 at 31 December 1998, S\$415,000 at 30 June 1999 and S\$414,000 at 30 November 1999 which is recoverable after 12 months from the year/period end date.

7. Cash and cash equivalents

	<u>As at 31 December 1997</u>	<u>As at 31 December 1998</u>	<u>As at 30 June 1999</u>	<u>As at 30 November 1999</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Fixed deposits	64,250	63,713	57,093	45,682
Bank balances and cash	10,959	13,791	18,680	28,366
	<u>75,209</u>	<u>77,504</u>	<u>75,773</u>	<u>74,048</u>

SINGAPORE EXCHANGE DERIVATIVES TRADING LIMITED
(formerly known as “Singapore International Monetary Exchange Limited”)
AND ITS SUBSIDIARY COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Fixed assets

	<u>Improvement to premises</u>	<u>Furniture and fittings</u>	<u>Office equipment and computers</u>	<u>Motor vehicle</u>	<u>Artwork collection</u>	<u>Total</u>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Year ended 31 December 1997						
Net book value at 1 January	617	995	2,838	268	16	4,734
Additions	931	103	1,817	1	—	2,852
Disposals	—	—	—	—	—	—
Depreciation charge	(722)	(169)	(1,247)	(55)	—	(2,193)
Net book value at 31 December	<u>826</u>	<u>929</u>	<u>3,408</u>	<u>214</u>	<u>16</u>	<u>5,393</u>
Cost	5,746	1,733	8,480	274	16	16,249
Accumulated depreciation	(4,920)	(804)	(5,072)	(60)	—	(10,856)
Net book value at 31 December	<u>826</u>	<u>929</u>	<u>3,408</u>	<u>214</u>	<u>16</u>	<u>5,393</u>
Year ended 31 December 1998						
Net book value at 1 January	826	929	3,408	214	16	5,393
Additions	1,389	55	3,628	—	—	5,072
Disposals	—	(6)	(26)	—	—	(32)
Depreciation charge	(855)	(175)	(1,508)	(55)	—	(2,593)
Net book value at 31 December	<u>1,360</u>	<u>803</u>	<u>5,502</u>	<u>159</u>	<u>16</u>	<u>7,840</u>
Cost	6,048	1,744	10,674	273	16	18,755
Accumulated depreciation	(4,688)	(941)	(5,172)	(114)	—	(10,915)
Net book value at 31 December	<u>1,360</u>	<u>803</u>	<u>5,502</u>	<u>159</u>	<u>16</u>	<u>7,840</u>
Six months ended 30 June 1999						
Net book value at 1 January	1,360	803	5,502	159	16	7,840
Additions	295	62	2,366	—	—	2,723
Depreciation charge	(612)	(88)	(920)	(27)	—	(1,647)
Net book value at 30 June	<u>1,043</u>	<u>777</u>	<u>6,948</u>	<u>132</u>	<u>16</u>	<u>8,916</u>
Cost	6,336	1,807	13,041	273	16	21,473
Accumulated depreciation	(5,293)	(1,030)	(6,093)	(141)	—	(12,557)
Net book value at 30 June	<u>1,043</u>	<u>777</u>	<u>6,948</u>	<u>132</u>	<u>16</u>	<u>8,916</u>
Five months ended 30 November 1999						
Net book value at 1 July	1,043	777	6,948	132	16	8,916
Additions	255	76	9,013	—	—	9,344
Depreciation charge	(593)	(63)	(1,454)	(23)	—	(2,133)
Net book value at 30 November	<u>705</u>	<u>790</u>	<u>14,507</u>	<u>109</u>	<u>16</u>	<u>16,127</u>
Cost	6,592	1,882	21,986	273	16	30,749
Accumulated depreciation	(5,887)	(1,092)	(7,479)	(164)	—	(14,622)
Net book value at 30 November	<u>705</u>	<u>790</u>	<u>14,507</u>	<u>109</u>	<u>16</u>	<u>16,127</u>

SINGAPORE EXCHANGE DERIVATIVES TRADING LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Properties under development

Properties under development relate to progress payments made for the purchase of several floors of two leasehold properties at No. 2 and 4 Shenton Way, Singapore, which are under construction. The lease tenure of the properties is 99 years each, commencing from 13 November 1995.

10. Subsidiary company

The details of the Group’s subsidiary company are as follows:

<u>Subsidiary Company</u>	<u>Principal activities</u>	<u>Place of business and country of incorporation</u>	<u>Percentage of equity held</u>			
			<u>As at 31 December 1997</u>	<u>As at 31 December 1998</u>	<u>As at 30 June 1999</u>	<u>As at 30 November 1999</u>
Simex America Ltd*	Marketing and disseminating information about Singapore International Monetary Exchange Limited	United States of America	100%	100%	100%	100%

* An audit is not required in the United States of America.

11. Net assets of SIMEX Fidelity Fund

(a) The Group established the SIMEX Fidelity Fund in 1995, in accordance with section 49A of the Futures Trading Act (“FTA”). The primary purpose of the Fund is to compensate any person, other than an accredited investor, who suffers pecuniary loss because of a defalcation committed in the course of or in connection with the trading of a futures contract which is cleared or to be cleared by the Group, by a futures member or by any representative of any futures member in relation to any money or other property which was entrusted to or received by that futures member or by its representatives. The net assets of the Fidelity Fund have been included in the balance sheet of the Group as section 49A(2) of the FTA states that the assets of the Fund shall be the property of the exchange, although they shall be kept separate from all other property and shall be held in trust for the purposes set out above.

(b) For the year ended 31 December 1997 and 31 December 1998, period ended 30 June 1999 and 30 November 1999, a provision of S\$1,350,000, S\$1,935,000, S\$1,190,000 and S\$1,407,000 had been made respectively for contribution which were paid to the SIMEX Fidelity Fund in the following year. At 31 December 1997, 31 December 1998, 30 June 1999 and 30 November 1999, the balance in the SIMEX Fidelity Fund amounted to approximately S\$10,964,000, S\$12,754,000, S\$14,820,000 and S\$14,954,000 respectively and was invested in net assets as follows:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Net assets of SIMEX Fidelity Fund (continued)

	As at 31 December 1997	As at 31 December 1998	As at 30 June 1999	As at 30 November 1999
	S\$'000	S\$'000	S\$'000	S\$'000
Current assets				
Interest receivable	150	69	102	108
Bank balances	3	7	73	37
Fixed deposits	10,910	12,873	9,772	9,922
Government securities	—	—	5,000	4,999
	<u>11,063</u>	<u>12,949</u>	<u>14,947</u>	<u>15,066</u>
Current liabilities				
Other creditors and accruals	1	1	1	1
Taxation	59	176	108	93
	<u>60</u>	<u>177</u>	<u>109</u>	<u>94</u>
Non-current liability				
Deferred taxation	39	18	18	18
Net assets	<u>10,964</u>	<u>12,754</u>	<u>14,820</u>	<u>14,954</u>

(b) The income and expenditure statement of SIMEX Fidelity Fund is as follows:

	Year ended 31 December 1997	Year ended 31 December 1998	Six months ended 30 June 1999	Five months ended 30 November 1999
	S\$'000	S\$'000	S\$'000	S\$'000
Income				
Contribution received	1,214	1,350	1,935	—
Net interest income	364	595	180	180
	<u>1,578</u>	<u>1,945</u>	<u>2,115</u>	<u>180</u>
Expenditure				
Audit	1	1	—	—
Income before taxation	1,577	1,944	2,115	180
Taxation	(94)	(154)	(49)	(46)
Income after taxation	1,483	1,790	2,066	134
Accumulated fund at the beginning of the financial year/period	9,481	10,964	12,754	14,820
Accumulated fund at the end of the financial year/period	<u>10,964</u>	<u>12,754</u>	<u>14,820</u>	<u>14,954</u>

(c) On 3 March 2000, section 49F of the FTA was repealed and re-enacted and the new provisions of section 49F requires that the SIMEX Fidelity Fund shall consist of an amount of not less than S\$20,000,000 or such amount that the Minister may specify.

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12. Contribution to the SIMEX Compensation Fund

In 1986, the Group established the SIMEX Compensation Fund for the primary purpose of providing compensation to customers of any futures member who suffer, sustain or incur a loss in consequence of the default of that futures member in meeting its obligations. The Deed of Settlement dated 25 November 1986 states that upon the winding up of the Compensation Fund (“Fund”), the net assets of the Fund shall be distributed in such proportion as the Trustees think fit, to a fund having objects sufficiently similar to the Fund, to the Group or to such charitable institution(s) or other charitable object(s).

For the year ended 31 December 1997, period ended 30 June 1999 and 30 November 1999, no provision was made for contribution to the Fund. A provision of S\$500,000 was made for contribution to the SIMEX Compensation Fund for the year ended 31 December 1998.

The balance in the Fund amounted to approximately S\$27,577,000, S\$28,557,000, S\$29,346,000, and S\$29,647,000 as at 31 December 1997, 31 December 1998, 30 June 1999 and 30 November 1999 respectively and were invested in net assets as follows:

	As at 31 December 1997	As at 31 December 1998	As at 30 June 1999	As at 30 November 1999
	<u>S\$’000</u>	<u>S\$’000</u>	<u>S\$’000</u>	<u>S\$’000</u>
Current assets				
Interest receivable	437	197	223	235
Bank balances	8	6	231	68
Fixed deposits	27,391	28,814	20,727	21,021
Quoted bonds	—	—	6,997	6,998
Government securities	—	—	1,534	1,532
	<u>27,836</u>	<u>29,017</u>	<u>29,712</u>	<u>29,854</u>
Current liabilities				
Other creditors and accruals	2	2	1	1
Account payable to the Company	—	—	65	—
Taxation	143	407	249	155
	<u>145</u>	<u>409</u>	<u>315</u>	<u>156</u>
Non-current liability				
Deferred taxation	114	51	51	51
Net assets	<u>27,577</u>	<u>28,557</u>	<u>29,346</u>	<u>29,647</u>

13. Other creditors and accruals

	As at 31 December 1997	As at 31 December 1998	As at 30 June 1999	As at 30 November 1999
	<u>S\$’000</u>	<u>S\$’000</u>	<u>S\$’000</u>	<u>S\$’000</u>
Sundry creditors and accrued operating expenses . .	7,759	8,000	8,218	11,115
Contribution to SIMEX Compensation Fund (Note 12)	—	500	—	—
Monies received on behalf of the members	668	692	1,162	5,767
	<u>8,427</u>	<u>9,192</u>	<u>9,380</u>	<u>16,882</u>

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14. Share capital

	As at 31 December 1997 and 1998, 30 June 1999 and 30 November 1999	
	Authorised	Issued and fully paid
	S\$'000	S\$'000
Ordinary shares of S\$100,000 each	20,000	4,000

15. Profit before tax

	Year ended 31 December 1997	Year ended 31 December 1998	Six months ended 30 June 1999	Five months ended 30 November 1999
	S\$'000	S\$'000	S\$'000	S\$'000
Profit before tax is stated after charging the following:				
Auditors' remuneration				
– current year	59	75	30	25
– prior year	25	—	—	—
Interest expense—bank	68	65	—	—
Depreciation of fixed assets (Note 8)	2,193	2,593	1,647	2,133
Exchange loss	—	—	—	392
Diminution in value of investment (Note 5)	1,490	40	—	—
Loss on sale of fixed assets	—	32	—	—
<i>And crediting:</i>				
Interest income				
– bank	2,684	3,423	1,016	710
– others	2,086	2,765	977	522
Exchange gain	995	28	104	—
Writeback of provision for diminution in value of investment (Note 5)	—	—	1,076	454
Dividend income	—	—	76	—
	—	—	—	—

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16. Tax

	Year ended 31 December 1997	Year ended 31 December 1998	Six months ended 30 June 1999	Five months ended 30 November 1999
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Tax charge in respect of the profit for the financial year/period:				
Current tax	646	947	287	191
Deferred tax	117	(50)	—	—
Adjustments in respect of prior years:				
Current tax	5	551	14	—
Deferred tax	<u>600</u>	<u>(546)</u>	<u>—</u>	<u>—</u>
	<u>1,368</u>	<u>902</u>	<u>301</u>	<u>191</u>

Under Section 13(1)(Z) of the Income Tax (Amendment) Act 1994, all income arising from the Company's operations of the financial futures exchange is exempted from Singapore income tax for a period of fifteen years from the commencement of its business in 1984. This exemption has been extended for another five years to the year 2003 as announced in the 1999 Singapore Budget.

Provision for taxation is made on interest income for the year, and other non-exempt income based on the Income Tax (Amendment) Act 1992.

17. Commitments for expenditure

(a) *Capital commitments*

Capital expenditure not provided for in the accounts are as follows:

	As at 31 December 1997	As at 31 December 1998	As at 30 June 1999	As at 30 November 1999
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Expenditure contracted for				
—computers	577	56	37,765	31,060
—properties under development	<u>83,333</u>	<u>67,556</u>	<u>60,541</u>	<u>54,533</u>
	<u>83,910</u>	<u>67,612</u>	<u>98,306</u>	<u>85,593</u>

(b) *Lease commitments*

Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are payable as follows:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Commitments for expenditure (continued)

(b) *Lease commitments (continued)*

	<u>As at 31 December 1997</u>	<u>As at 31 December 1998</u>	<u>As at 30 June 1999</u>	<u>As at 30 November 1999</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Not later than one financial year	5,836	5,733	5,016	277
Later than one financial year but not later than five financial years	<u>7,052</u>	<u>2,756</u>	<u>463</u>	<u>829</u>
	<u>12,888</u>	<u>8,489</u>	<u>5,479</u>	<u>1,106</u>

18. Contingent liabilities (unsecured)

	<u>As at 31 December 1997</u>	<u>As at 31 December 1998</u>	<u>As at 30 June 1999</u>	<u>As at 30 November 1999</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Standby letters of credit issued by banks to the Chicago Mercantile Exchange (“CME”) in relation to the CME/SGX-DT mutual offset agreement	65,000	36,000	37,000	49,000
Standby letters of credit issued by banks to the London Clearing House (“LCH”) in relation to the LCH/SGX-DT mutual offset agreement	<u>7,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>

At the balance sheet date, the Group had unsecured contingent liabilities to banks for standby letters of credit issued by the banks to the CME and LCH, in accordance with the mutual offset agreement between CME/LCH and the Company. These guarantees were given by the Company to CME/LCH on behalf of its clearing members to margin their open positions on CME/LCH. These contingent liabilities are supported by members’ margin deposits set out in note 3.

19. Common bond system

The rules of the Company enable the Group to mobilise substantial resources to meet any liabilities should a clearing member become insolvent and unable to pay its full losses to the Company. The resources available to the Company are utilised in the following priority:

- (a) the defaulting clearing member’s margin deposits, security deposits, letters of credit and/or all other assets and securities of that clearing member;
- (b) surplus funds of the Company which are in excess of funds necessary for normal operations;
- (c) up to one half of the SIMEX Compensation Fund;
- (d) security deposits in equal amounts from each non-defaulting clearing member; and
- (e) further assessments on clearing members based on a formula that takes into consideration their capital requirements and share of volume and open interest on the Company (cap at S\$8,000,000 if a letter of credit in that amount is posted with the Company to comply with adjusted net capital requirements).

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20. Demutualisation of the Company

In November 1998, the Singapore Government agreed with the Committee on Governance of the Exchanges that the Company should be demutualised. Demutualisation will change the Company’s governance structures to separate ownership rights from trading access rights.

In accordance with the Exchanges (Demutualisation and Merger) Act 1999, the Company reduced its issued share capital on 1 December 1999 from S\$4,000,000 to S\$40 by way of cancelling 40 issued ordinary shares of S\$100,000 each and re-issuing 40 ordinary shares of S\$1 each to the transferee holding company, Singapore Exchange Limited.

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Securities Clearing and Computer Services (Pte) Limited
20 Cecil Street
#26-01/08 Singapore Exchange
Singapore 049705

We have audited the accompanying consolidated balance sheet of Securities Clearing and Computer Services (Pte) Limited and its subsidiary company as of 30 November 1999, and the consolidated profit and loss account, statement of changes in equity and cash flow statement for the five-month period ended 30 November 1999. These consolidated financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the abovementioned consolidated financial statements, expressed in Singapore dollars, give a true and fair view of the financial position of Securities Clearing and Computer Services (Pte) Limited and its subsidiary company as at 30 November 1999, the results of operations, changes in equity, and cash flows for the five-month period ended 30 November 1999, in accordance with Singapore Statements of Accounting Standard.

PricewaterhouseCoopers
Certified Public Accountants

Singapore, 5 October 2000

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
AND ITS SUBSIDIARY COMPANY**

CONSOLIDATED BALANCE SHEET

As at 30 November 1999

	<u>Notes</u>	<u>As at 30 November 1999</u> S\$
Current assets		
Trade and other receivables	3	1,849,837
Other debtors	4	2,869,539
Investments	5	744
Cash and cash equivalents	6	<u>119,632,374</u>
		<u>124,352,494</u>
Non-current assets		
Fixed assets	7	11,419,052
Investment	8	<u>3,085,297</u>
		<u>14,504,349</u>
Total assets		<u>138,856,843</u>
Current liabilities		
Trade creditors		155,510
Non-trade creditors	10	<u>1,143,249</u>
		<u>1,298,759</u>
Net assets		<u>137,558,084</u>
Equity		
Share capital	11	34
Reserves		<u>137,558,050</u>
		<u>137,558,084</u>

The accompanying notes form an integral part of the financial statements

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
AND ITS SUBSIDIARY COMPANY**

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the financial period from 1 July 1999 to 30 November 1999

	<u>Notes</u>	<u>Five months ended 30 November 1999</u> S\$
Operating revenue		
Account maintenance and processing fees		3,765,417
Other operating revenue		1,453,642
Total operating revenue		<u>5,219,059</u>
Expenses		
Staff costs		4,653,394
Occupancy costs		989,642
Equipment maintenance and rental		1,994,849
Depreciation		2,456,652
Other operating expenses		<u>1,326,146</u>
Total operating expenses		<u>11,420,683</u>
Loss from operating activities		(6,201,624)
Non-operating income		
Interest income		<u>1,570,951</u>
Loss before tax	12	(4,630,673)
Tax	13	<u>—</u>
Loss after tax		<u><u>(4,630,673)</u></u>

The accompanying notes form an integral part of the financial statements

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
AND ITS SUBSIDIARY COMPANY**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period from 1 July 1999 to 30 November 1999

	<u>Share capital</u>	<u>Share premium</u>	<u>Reserve on consolidation</u>	<u>Retained profits</u>	<u>Total</u>
	S\$	S\$	S\$	S\$	S\$
Balance as at 1 July 1999	34	1,599,990	4,714	140,584,019	142,188,757
Loss for the financial period.....	—	—	—	(4,630,673)	(4,630,673)
Balance as at 30 November 1999	<u>34</u>	<u>1,599,990</u>	<u>4,714</u>	<u>135,953,346</u>	<u>137,558,084</u>

The accompanying notes form an integral part of the financial statements

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
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CONSOLIDATED CASH FLOW STATEMENT
For the financial period from 1 July 1999 to 30 November 1999

	Five months ended 30 November 1999
	S\$
Cash flows from operating activities	
Loss before taxation	(4,630,673)
Adjustments for:	
Amortisation on premium	19,346
Depreciation of fixed assets	2,456,652
Loss on disposal of fixed assets	9,646
Interest income	(1,570,951)
Operating loss before working capital changes	(3,715,980)
Decrease in trade debtors	8,170,856
Decrease in other debtors, deposits and prepayments	655,505
Decrease in trade creditors	(7,854,431)
Decrease in other creditors	1,006,589
Increase in amount owing to Stock Exchange of Singapore Limited	(5,192,533)
Net cash generated used in operations	(6,929,994)
Income taxes paid	(133,914)
Net cash used in operating activities	(7,063,908)
Cash flows from investing activities	
Interest received	1,570,951
Payment for purchase of fixed assets	(7,480,642)
Net cash used in investing activities	(5,909,691)
Net decrease in cash and cash equivalents	(12,973,599)
Cash and cash equivalents at beginning of period	132,605,973
Cash and cash equivalents at end of period (Note 6)	119,632,374

The accompanying notes form an integral part of the financial statements

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
AND ITS SUBSIDIARY COMPANY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial period from 1 July 1999 to 30 November 1999

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

The Company is incorporated in Singapore and the financial statements are expressed in Singapore dollars.

The principal activity of the Company is to maintain and provide information network facilities and computer services.

The principal activities of its subsidiary company are to act as corporate share registrars and as an agent to perform various custody-related services.

2. Significant accounting policies

(a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

(b) Basis of consolidation

Consolidated financial statements include the financial statements of the Company and its subsidiary company which is listed in Note 9 to the financial statements.

Intercompany transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

Reserve arising on consolidation represents the excess of the fair value of the net tangible assets of the subsidiary company over the purchase price at the date of acquisition.

(c) Taxation

The liability method of tax effect accounting is adopted by the Company. Deferred taxation is provided at current taxation rate on the timing differences existing at year end.

Future income tax benefits are not recognised unless there is reasonable certainty of their realisation in future periods.

(d) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Computer equipment	3 years
Furniture, fittings and office equipment	5 years
Leasehold improvements	5 years
Motor vehicles	5 years

Fully depreciated assets are retained in the books of accounts until they are no longer in use.

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
AND ITS SUBSIDIARY COMPANY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(e) *Investments*

Investments include quoted and unquoted investments and membership rights. Investments held on a long-term basis are stated at cost. No provision for diminution in value has been made where such diminution in value is considered by the directors to be of a temporary nature. Premium paid on loan stocks is amortised over the period to maturity.

Investments held as current assets are those which are acquired for subsequent sale. These investments are stated at the lower of cost and net realisable value.

Membership rights represent transferable corporate membership and are stated at cost less any provision for other than temporary diminution in value.

(f) *Subsidiary company*

A subsidiary company is defined as a company in which the company has an interest of more than 50%.

Investment in subsidiary company is stated at cost less provision for diminution in value. Provision for diminution in value would be made if the directors are of the opinion that there is other than temporary diminution in value of investment.

(g) *Turnover*

Turnover represents invoiced administration fees, computer processing charges and income from provision of data base services, net of goods and services tax. Turnover for the group excludes intercompany transactions.

3. Trade and other receivables

	As at 30 November 1999
Included in trade debtors is the following:	S\$
Amount owing by subsidiary companies of a corporate shareholder	833,563

4. Other debtors

	As at 30 November 1999
Other debtors comprise:	S\$
Staff loans	30,074
Deposits	60,140
Prepayment	1,250,382
Interest receivable	1,528,943
	2,869,539

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Investments

	<u>As at 30 November 1999</u>
	S\$
Quoted equity investments, at cost	8,551
Provision for diminution in value	(7,807)
Balance at end of period	<u>744</u>
Market value	<u><u>2,392</u></u>

6. Cash and Cash Equivalents

Cash and cash equivalents consist of fixed deposits placed in financial institutions, and cash and bank balances. Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	<u>As at 30 November 1999</u>
	S\$
Fixed deposits	119,000,000
Cash and bank balances	<u>632,374</u>
	<u><u>119,632,374</u></u>

7. Fixed assets

	<u>Computer equipment</u>	<u>Leasehold improvements</u>	<u>Furniture, fittings and office equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	S\$	S\$	S\$	S\$	S\$
Cost					
At 1 July 1999	19,307,049	4,833,205	4,467,287	383,504	28,991,045
Additions	7,422,258	48,384	10,000	—	7,480,642
Disposals	(5,672,254)	—	(204,479)	—	(5,876,733)
At 30 November 1999	<u>21,057,053</u>	<u>4,881,589</u>	<u>4,272,808</u>	<u>383,504</u>	<u>30,594,954</u>
Accumulated depreciation					
At 1 July 1999	14,948,410	3,780,319	3,474,104	383,504	22,586,337
Depreciation for the financial period	2,064,769	198,184	193,699	—	2,456,652
Disposals	(5,662,706)	—	(204,381)	—	(5,867,087)
At 30 November 1999	<u>11,350,473</u>	<u>3,978,503</u>	<u>3,463,422</u>	<u>383,504</u>	<u>19,175,902</u>
Net book value					
At 30 November 1999	<u>9,706,580</u>	<u>903,086</u>	<u>809,386</u>	<u>—</u>	<u>11,419,052</u>

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
AND ITS SUBSIDIARY COMPANY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Investments

	<u>As at 30 November 1999</u>
	S\$
Quoted Singapore Government Registered Stock	
Loan 3, 1980, 6.25% at cost	2,296,000
Accumulated amortisation of premium	(251,503)
	2,044,497
Unquoted Floating Rate Notes, at cost	1,000,000
Unquoted transferable membership rights, at cost	40,800
	3,085,297
Market value of quoted Singapore Government Registered Stocks	2,119,000

The redemption date for Singapore Government Registered Stock Loan 3, 1980 is 15th November 2000. Interest is payable on the 15 day of May and November of each year for Loan 3.

The redemption date for the Floating Rate Notes is 30th June 2000. Interest is payable quarterly.

9. Subsidiary company

<u>Name of subsidiary company</u>	<u>Country of incorporation</u>	<u>Cost of investment</u>	<u>Percentage of equity held</u>	<u>Principal activity</u>
		<u>As at 30 November 1999</u>	<u>As at 30 November 1999</u>	
		S\$		
Macronet Information Pte. Ltd.	Singapore	200,000	100%	To act as corporate share registrars and as an agent to perform various custody-related services

10. Non-trade creditors

	<u>As at 30 November 1999</u>
	S\$
Other creditors comprise mainly:	
Accrued expenses	641,833
Advanced receipts	364,670
Others	136,746
	1,143,249

11. Share capital

	<u>As at 30 November 1999</u>	
	<u>Authorised</u>	<u>Issued and fully paid</u>
	S\$	S\$
Ordinary shares of S\$1 each	10,000	34

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
AND ITS SUBSIDIARY COMPANY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Loss before tax

	Five months ended 30 November 1999
	S\$
The loss before taxation has been arrived at after charging:	
Amortisation of premium on loan stocks	19,346
Auditors' remuneration	8,667
Loss on disposal of fixed assets	9,646
Depreciation of fixed assets	2,456,652
<i>and crediting:</i>	
Exchange gain	562
Interest income	
– fixed and bank deposits	1,493,007
– quoted loan stocks and bonds	62,500
– unquoted investments	15,444

13. Tax

As at 30 November 1999 the Company has unabsorbed tax losses amounting to approximately S\$3,382,000 respectively whilst the group has unabsorbed tax losses and capital allowances amounting to approximately S\$3,697,000 and S\$15,000 respectively available for offsetting against future taxable income, subject to confirmation by the tax authorities, and in accordance with the relevant provisions of the Income Tax Act.

14. Contingent liability—unsecured

The Company will provide continuing financial support to its subsidiary company, Macronet Information Pte Ltd, in order that the latter may be in a position to meet its liabilities as and when they fall due.

15. Significant related party transactions

(a) Other than the related party information disclosed elsewhere in the financial statements, the following are significant related party transactions entered into at rates agreed between the Company and other companies, within the Singapore Exchange Securities Trading Limited (“SGX-ST”) (formerly known as “Stock Exchange of Singapore Limited”) group, all of which are under the same management and have common shareholders:

	Five months ended 30 November 1999
	S\$
Management fees	1,014,468
Fees received from SGX-ST group for computer services rendered	1,373,433

(b) The premises occupied by the group have been sublet from SGX-ST.

16. Subsequent event

On 1 December 1999, pursuant to the Exchanges (Demutualisation and Merger) Act 1999, the shares of the Company were cancelled and 34 new ordinary shares of S\$1 each were issued to the transferee holding company, Singapore Exchange Limited.

Arising from the restructuring following the change in ownership, all the operations of the Company and the related assets were transferred to related companies within the Singapore Exchange Limited group.

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Securities Clearing and Computer Services (Pte) Limited
20 Cecil Street
#26-01/08 Singapore Exchange
Singapore 049705

We have audited the accompanying consolidated balance sheets of Securities Clearing and Computer Services (Pte) Limited and its subsidiary company as of 30 June 1998 and 30 June 1999, and the profit and loss accounts, and cash flow statements for the financial years ended 30 June 1998 and 30 June 1999. These consolidated financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit pursuant to Section 205 of the Singapore Companies Act, Chapter 50 in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the abovementioned consolidated financial statements, expressed in Singapore dollars, give a true and fair view of the consolidated financial position of Securities Clearing and Computer Services (Pte) Limited and its subsidiary company as of 30 June 1998 and 30 June 1999, the consolidated results of operations and consolidated cash flows for the financial years ended 30 June 1998 and 30 June 1999, in accordance with Singapore Statements of Accounting Standard applicable to those periods.

FOO, KON & TAN
Certified Public Accountants

Singapore, 30 September 2000

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
AND ITS SUBSIDIARY COMPANY**

(Incorporated in the Republic of Singapore)

CONSOLIDATED BALANCE SHEETS

As at 30 June 1998 and 30 June 1999

	<u>Note</u>	<u>As at 30 June 1998</u>	<u>As at 30 June 1999</u>
		<u>S\$'000</u>	<u>S\$'000</u>
Current assets			
Trade debtors	3	1,131,296	10,020,693
Other debtors	4	3,252,493	3,525,046
Short-term investments	5	744	744
Cash and cash equivalents		135,835,984	132,605,973
		140,220,517	146,152,456
Non-current assets			
Fixed assets	6	5,807,925	6,404,708
Long-term investments	7	5,152,480	3,104,643
Subsidiary company	8	—	—
		10,960,405	9,509,351
Total assets		151,180,922	155,661,807
Current liabilities			
Trade creditors		1,302,878	8,009,941
Other creditors	9	1,824,117	5,329,195
Provision for taxation		3,000,000	133,914
		6,126,995	13,473,050
Deferred taxation	10	1,419,000	—
Net assets		143,634,927	142,188,757
Equity			
Share capital		34	34
Share premium		1,599,990	1,599,990
Reserve on consolidation		4,714	4,714
Retained profits		142,030,189	140,584,019
		143,634,927	142,188,757

The annexed notes form an integral part of and should be read in conjunction with these financial statements

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
AND ITS SUBSIDIARY COMPANY**

(Incorporated in the Republic of Singapore)

**CONSOLIDATED PROFIT AND LOSS ACCOUNTS
For the financial years ended 30 June 1998 and 30 June 1999**

	<u>Note</u>	<u>For the financial year ended 30 June 1998</u>	<u>For the financial year ended 30 June 1999</u>
		S\$	S\$
Operating revenue	2		
Clearing fees		19,253,608	1,169,471
Processing fees		6,300,884	7,780,930
Others		1,751,277	3,516,937
		27,305,769	12,467,338
Expenses			
Staff costs		8,843,195	9,630,428
Occupancy costs		2,212,705	2,330,002
Equipment maintenance and rental		1,659,473	2,964,440
Depreciation		5,028,214	4,370,405
Other operating expenses		5,308,129	3,134,515
Total operating expenses		23,051,716	22,429,790
Profit / (Loss) from operating activities before tax		4,254,053	(9,962,452)
Non-operating income			
Interest		5,511,817	6,722,743
Other non-operating income		139,734	11
Profit / (Loss) before tax	11	9,905,604	(3,239,698)
Taxation	12	(3,019,000)	1,793,528
Profit / (Loss) after tax		<u>6,886,604</u>	<u>(1,446,170)</u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
AND ITS SUBSIDIARY COMPANY**
(Incorporated in the Republic of Singapore)

CONSOLIDATED CASH FLOW STATEMENTS
For the financial years ended 30th June 1998 and 30th June 1999

	For the financial year ended 30 June 1998	For the financial year ended 30 June 1999
	<u>S\$</u>	<u>S\$</u>
Cash flows from operating activities		
Profit/(loss) before taxation	9,905,604	(3,239,698)
Adjustments for:		
Amortisation on premium	63,330	47,840
Depreciation of fixed assets	5,028,214	4,370,405
(Gain)/loss on disposal of fixed assets	(133,183)	2,623
Interest income	(5,511,817)	(6,752,743)
Diminution in value of quoted equity investments	5,200	—
Operating profit/(loss) before working capital changes	9,357,348	(5,571,573)
Decrease/(increase) in trade debtors	684,500	(8,889,397)
Increase in other debtors	(99,800)	(196,081)
(Decrease)/increase in trade creditors	(170,887)	6,707,063
Decrease in other creditors	3,876,680	3,505,078
Net cash generated from/(used in) operations	13,647,841	(4,444,910)
Income taxes paid	(2,637,858)	(2,491,558)
Net cash generated from/(used in) operating activities	11,009,983	(6,936,468)
Cash flows from investing activities		
Acquisition of long-term investments	(1,000,000)	—
Interest received	4,876,612	6,676,270
Payment for purchase of fixed assets	(3,801,519)	(4,970,386)
Proceeds from sale of fixed assets	135,000	573
Proceeds from redemption of investment in bonds	—	2,000,000
Net cash generated from investing activities	210,093	3,706,457
Net increase/(decrease) in cash and cash equivalents	11,220,076	(3,230,011)
Cash and cash equivalents at beginning of year	124,615,908	135,835,984
Cash and cash equivalents at end of year (Note A)	<u>135,835,984</u>	<u>132,605,973</u>

NOTE:

A. Cash and Cash Equivalents

Cash and cash equivalents consist of fixed deposits placed in finance companies, and cash and bank balances. Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	<u>As at 30 June 1998</u>	<u>As at 30 June 1999</u>
	<u>S\$</u>	<u>S\$</u>
Fixed deposits	135,149,000	132,049,000
Cash and bank balances	686,984	556,973
	<u>135,835,984</u>	<u>132,605,973</u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
AND ITS SUBSIDIARY COMPANY**
(Incorporated in the Republic of Singapore)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial years ended 30 June 1998 and 30 June 1999

1. Summary of Significant Accounting Policies

(a) *Accounting convention*

The financial statements, expressed in Singapore dollars, are prepared in accordance with the historical cost convention.

(b) *Basis of consolidation*

Consolidated financial statements include the financial statements of the company and its subsidiary company which is listed in Note 8 to the financial statements.

Inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

Reserve arising on consolidation arises when the fair value of the net tangible assets of the subsidiary company acquired exceeds the consideration at the date of acquisition.

(c) *Taxation*

The liability method of tax effect accounting is adopted by the company. Deferred taxation is provided at current taxation rate on significant timing differences existing at year end that are expected to reverse.

Future income tax benefits are not recognised unless there is reasonable certainty of their realisation in future periods.

(d) *Fixed assets and depreciation*

Fixed assets are stated at cost less accumulated depreciation. Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Computer equipment	—	3 years
Office equipment	—	3-5 years
Furniture and fittings	—	5 years
Renovation	—	5 years
Electrical installation	—	5 years
Motor vehicles	—	4 years

Fully depreciated assets are retained in the books of accounts until they are no longer in use.

(e) *Investments*

Investments include quoted and unquoted investments and membership rights. Investments held on a long-term basis are stated at cost. No provision for diminution in value has been made where such diminution in value is considered by the directors to be of a temporary nature. Premium paid on loan stocks is amortised over the period to maturity.

Investments held as current assets are those which are acquired for subsequent sale. These investments are stated at the lower of cost and net realisable value.

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
AND ITS SUBSIDIARY COMPANY**

(Incorporated in the Republic of Singapore)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 30 June 1998 and 1999

Membership rights represent transferable corporate membership and are stated at cost less any provision for other than temporary diminution in value.

(f) *Subsidiary company*

A subsidiary company is defined as a company in which the company has an interest of more than 50%.

Investment in subsidiary company is stated at cost less provision for diminution in value. Provision for diminution in value would be made if the directors are of the opinion that there is other than temporary diminution in value of investment.

2. Principal Activities and Operating Revenue

The principal activities of the company are that of a clearing house for members of Stock Exchange of Singapore Ltd as well as to maintain and provide information network facilities and computer services. In September 1998, due to the cessation of CLOB share trading, the company no longer fulfils the principal role of the clearing house.

The principal activities of its subsidiary company are to act as corporate share registrars and as an agent to perform various custody-related services.

Operating revenue represents invoiced clearing fees, computer processing charges, administration fees and income from provision of data base services, net of goods and services tax. Operating revenue for the group excludes intercompany transactions.

3. Trade Debtors

	<u>As at 30 June 1998</u>	<u>As at 30 June 1999</u>
	S\$	S\$
Included in trade debtors is the following:		
Amount owing by subsidiary companies of a corporate shareholder	705,550	549,760
	<u>705,550</u>	<u>549,760</u>

4. Other Debtors

	<u>As at 30 June 1998</u>	<u>As at 30 June 1999</u>
	S\$	S\$
Staff loans	55,059	37,568
Deposits	87,130	60,140
Prepayments	519,194	752,001
Interest receivable	2,591,110	2,667,582
Others	—	7,755
	<u>3,252,493</u>	<u>3,525,046</u>

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
AND ITS SUBSIDIARY COMPANY**
(Incorporated in the Republic of Singapore)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial years ended 30 June 1998 and 1999

5. Short-Term Investments

	As at 30 June 1998	As at 30 June 1999
	S\$	S\$
Quoted equity investments, at cost	8,551	8,551
Provision for diminution in value		
Balance at beginning of year	2,607	7,807
Provision for the year	5,200	—
Balance at end of year	(7,807)	(7,807)
	744	744
Market value	744	3,002

6. Fixed Assets

	Computer equipment	Office equipment	Furniture and fittings	Renovation	Electrical installation	Motor vehicles	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Cost							
At 1 July 1997	36,413,654	1,581,364	2,121,073	4,453,612	717,738	431,904	45,719,345
Additions	3,510,129	72,192	38,020	181,178	—	—	3,801,519
Disposals	(20,223,065)	(21,148)	(33,315)	—	—	—	(20,277,528)
Over accruals of cost in respect of prior years	—	—	(16,069)	—	(115,000)	—	(131,069)
At 30 June 1998	19,700,718	1,632,408	2,109,709	4,634,790	602,738	431,904	29,112,267
Accumulated depreciation							
At 1 July 1997	33,449,903	398,239	1,427,293	2,372,318	568,058	336,028	38,551,839
Depreciation for the year	3,299,580	324,646	348,607	926,637	32,868	95,876	5,028,214
Disposals	(20,223,065)	(19,331)	(33,315)	—	—	—	(20,275,711)
At 30 June 1998	16,526,418	703,554	1,742,585	3,298,955	600,926	431,904	23,304,342
Depreciation for 1997	2,269,638	303,297	362,350	890,722	139,227	95,876	4,061,110
Net book value							
At 30 June 1998	3,174,300	928,854	367,124	1,335,835	1,812	—	5,807,925
At 30 June 1997	2,963,751	1,183,125	693,780	2,081,294	149,680	95,876	7,167,506

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
AND ITS SUBSIDIARY COMPANY**
(Incorporated in the Republic of Singapore)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the financial years ended 30 June 1998 and 1999

	<u>Computer equipment</u>	<u>Office equipment</u>	<u>Furniture and fittings</u>	<u>Renovation</u>	<u>Electrical installation</u>	<u>Motor vehicles</u>	<u>Total</u>
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Cost							
At 1 July 1998	19,700,718	1,632,408	2,109,709	4,634,790	602,738	431,904	29,112,267
Additions	4,487,807	56,924	180,955	224,799	19,900	—	4,970,385
Disposals	(4,999,987)	(3,996)	—	—	—	(48,400)	(5,052,383)
At 30 June 1999	<u>19,188,538</u>	<u>1,685,336</u>	<u>2,290,664</u>	<u>4,859,589</u>	<u>622,638</u>	<u>383,504</u>	<u>29,030,269</u>
Accumulated depreciation							
At 1 July 1998	16,526,418	703,554	1,742,585	3,298,955	600,926	431,904	23,304,342
Depreciation for the year	3,361,476	337,860	158,909	507,748	4,412	—	4,370,405
Disposals	(4,999,987)	(799)	—	—	—	(48,400)	(5,049,186)
At 30 June 1999	<u>14,887,907</u>	<u>1,040,615</u>	<u>1,901,494</u>	<u>3,806,703</u>	<u>605,338</u>	<u>383,504</u>	<u>22,625,561</u>
Depreciation for 1998	<u>3,299,580</u>	<u>324,646</u>	<u>348,607</u>	<u>926,637</u>	<u>32,868</u>	<u>95,876</u>	<u>5,028,214</u>
Net book value							
At 30 June 1999	<u>4,300,631</u>	<u>644,721</u>	<u>389,170</u>	<u>1,052,886</u>	<u>17,300</u>	<u>—</u>	<u>6,404,708</u>
At 30 June 1998	<u>3,174,300</u>	<u>928,854</u>	<u>367,124</u>	<u>1,335,835</u>	<u>1,812</u>	<u>—</u>	<u>5,807,925</u>

7. Long-Term Investments

	<u>As at 30 June 1998</u>	<u>As at 30 June 1999</u>
	S\$	S\$
Quoted Singapore Government Registered Stock		
Loan 2, 1978, 6.25% and Loan 3, 1980, 6.25% at cost	3,365,000	2,296,000
Accumulated amortisation of premium	(253,320)	(232,157)
	3,111,680	2,063,843
Unquoted 5.9375% Fixed Rate Bonds, at cost	1,000,000	—
Unquoted Floating Rate Notes, at cost	1,000,000	1,000,000
Unquoted transferable membership rights, at cost	40,800	40,800
	<u>5,152,480</u>	<u>3,104,643</u>
Market value of quoted Singapore Government Registered Stocks	<u>3,162,000</u>	<u>2,140,000</u>
Amortisation of premium during the year	<u>63,330</u>	<u>47,840</u>

The redemption date for Singapore Government Registered Stock, Loan 3, 1980 is 15 November 2000. The Loan 2, 1978 was redeemed on 1 August 1998. Interest is payable on the 15 day of May and November of each year for Loan 3.

The redemption date for the Floating Rate Notes is 30th June 2000 whilst the unquoted 5.9375% Fixed Rate Bonds was redeemed on 12 June 1999. Interest is payable quarterly.

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
AND ITS SUBSIDIARY COMPANY**
(Incorporated in the Republic of Singapore)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial years ended 30 June 1998 and 1999

8. Subsidiary Company

	As at 30 June 1998	As at 30 June 1999
	S\$	S\$
The Company		
Unquoted equity investment, at cost	200,000	200,000
Amount owing by subsidiary company		
– trade	1,000	2,000
– non-trade	77,603	160,025
	78,603	162,025

The non-trade amount owing by subsidiary company is unsecured, interest-free and has no fixed terms of repayment and represents expenses paid on behalf of the subsidiary company.

Names of subsidiary company	Country of incorporation/Place of business	Cost of investment		Percentage of equity held		Principal activity
		As at 30 June 1998	As at 30 June 1999	As at 30 June 1998	As at 30 June 1999	
		S\$	S\$	S\$	S\$	
Macronet Information Pte. Ltd.	Singapore	200,000	200,000	100%	100%	To act as corporate share registrars and as an agent to perform various custody-related services

9. Other Creditors

	As at 30 June 1998	As at 30 June 1999
	S\$	S\$
Included in other creditors are the following:		
Amount relating to the purchase of fixed assets	90,592	38,597
Amount owing to Stock Exchange of Singapore Ltd*	1,640,566	5,192,533

* The balance represents expenses paid by Stock Exchange of Singapore Ltd on behalf of the company. This amount is unsecured, interest-free and has no fixed terms of repayment.

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
AND ITS SUBSIDIARY COMPANY**
(Incorporated in the Republic of Singapore)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial years ended 30 June 1998 and 1999

10. Deferred taxation

	For the financial year ended 30 June 1998	For the financial year ended 30 June 1999
	S\$	S\$
Balance at beginning	1,300,000	1,419,000
Transfer from/(to) profit and loss account (Note 11)	119,000	(1,419,000)
Balance at end	<u>1,419,000</u>	<u>—</u>
The balance comprises tax on:		
Excess of capital allowance over book depreciation	1,087,000	—
Accrued interest income	330,000	—
Unrealised exchange gain	2,000	—
	<u>1,419,000</u>	<u>—</u>

11. Profit/(loss) before Tax

	For the financial year ended 30 June 1998	For the financial year ended 30 June 1999
	S\$	S\$
The profit before taxation has been arrived at after charging:		
Amortisation of premium on loan stocks	63,330	47,840
<i>Auditors' remuneration:</i>		
– audit fee		
– current year	22,800	20,800
– over-provision in respect of prior year	—	(1,000)
– non-audit fee	5,250	6,650
Diminution in value of quoted equity investment	5,200	—
Exchange loss	—	252
Loss on disposal of fixed assets	—	2,623
Depreciation of fixed assets (Note 6)	5,028,214	4,370,405
<i>and crediting:</i>		
Exchange gain	6,551	—
Gain on disposal of fixed assets	133,183	—
Interest income		
– fixed deposits	5,236,578	6,447,117
– loan stocks	187,500	156,250
– others	87,739	119,376

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
AND ITS SUBSIDIARY COMPANY**
(Incorporated in the Republic of Singapore)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial years ended 30 June 1998 and 1999

12. Taxation

	For the financial year ended 30 June 1998	For the financial year ended 30 June 1999
	S\$	S\$
Current taxation	2,900,000	—
Overprovision of current taxation in respect of prior years	—	(374,528)
Deferred taxation (Note 10)	119,000	(1,419,000)
	3,019,000	(1,793,528)
Unabsorbed capital allowances	15,000	15,000
Unabsorbed tax losses	229,000	5,099,000

No current taxation has been provided in the financial statements as the group has no taxable income. The above unabsorbed tax losses and unabsorbed capital allowances are subject to agreement with the Tax Authorities. These unabsorbed capital allowances and tax losses can be carried forward for offsetting against future taxable income provided that the provisions of Sections 23 and 37 of the Singapore Income Tax Act Cap. 134 are complied with.

13. Commitments

Lease commitments contracted in respect of office equipment:

	As at 30 June 1998	As at 30 June 1999
	S\$	S\$
Lease commitments contracted in respect of office premises:		
Operating lease		
– within one year	1,791,870	1,507,795
– between one and five years	2,182,435	674,640
	3,974,305	2,182,435
Rental and lease expense for all operating leases	1,553,652	1,649,092
Capital expenditure approved by the directors but not contracted for	2,100,000	8,596,662

14. Contingent Liabilities—Unsecured

The company has provided continuing financial support to the subsidiary company, Macronet Information Pte Ltd, in order that the latter may be in a position to meet its liabilities as and when they fall due.

15. Significant Related Party Transactions

(a) Four of the directors are shareholders and directors of companies which have had dealings with the company in the ordinary course of business.

**SECURITIES CLEARING AND COMPUTER SERVICES (PTE) LIMITED
AND ITS SUBSIDIARY COMPANY**
(Incorporated in the Republic of Singapore)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial years ended 30 June 1998 and 1999

(b) Other than the related party information disclosed elsewhere in the financial statements, the following are significant related party transactions entered into at rates agreed between the company and other companies, all of which are under the same management and have common shareholders:

	For the financial year ended 30 June 1998	For the financial year ended 30 June 1999
	S\$	S\$
Management fees paid	4,916,445	2,871,104
Fees received for computer services rendered	1,116,396	2,256,512
Fees received for computer services rendered to the subsidiary company	—	—

(c) The premises occupied by the group were sublet from the Stock Exchange of Singapore Ltd.

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DETAILS OF THE INVITATION

Invitation

The Invitation comprises:

- a placement of the Placement Shares to qualified institutional buyers in the United States in reliance on Rule 144A of the U.S. Securities Act and to certain persons outside the United States (including investors in Singapore) in offshore transactions in accordance with Regulation S under the U.S. Securities Act and other applicable laws upon the terms of and subject to the conditions set out in this prospectus; and
- an offer of the Offer Shares to the public in Singapore (other than the Reserved Shares) and of the Reserved Shares to employees and business associates of, and others who have contributed to the success and development of, the Group.

In connection with the Invitation, SEL Holdings has granted to the Global Coordinators, the Over-allotment Option exercisable by Merrill Lynch, in consultation with DBS Bank, in whole or in part, on or before the date which is 30 days after the commencement of trading in our shares on the SGX-ST, to purchase up to an aggregate of 41,700,000 shares (which is equal in number to 15.0 per cent. of the total Invitation Shares) at the Offering Price, solely to cover over-allotments, if any.

In connection with the Invitation, Merrill Lynch may, in consultation with DBS Bank, over-allot or effect transactions which stabilise or maintain the market price of our shares at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations. Such transactions, if commenced, may be discontinued at any time and shall not be effected after the earlier of (a) the date falling 30 days from the commencement of trading of our shares on the SGX-ST, or (b) the date when the over-allotment of our shares which are subject to the Over-allotment Option has been fully covered (either through the purchase of our shares on the SGX-ST or the exercise of the Over-allotment Option by Merrill Lynch, or through both).

Neither we nor the Selling Shareholder or the Global Coordinators makes any representation or prediction as to the magnitude of any effect that the transactions described above may have on the price of our shares. In addition, neither we, the Selling Shareholder nor the Global Coordinators makes any representation that the Global Coordinators will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice (unless such notice is required by law). Merrill Lynch, the stabilising manager, will be required to make a public announcement through the SGX-ST on the cessation of stabilising action and the amount of the Over-allotment Option that has been exercised, not later than 8:30 a.m. on the next trading day of the SGX-ST after the cessation of stabilizing action.

Listing on the Singapore Exchange Securities Trading Limited

Application has been made to the MAS for permission to deal in, and for quotation of, all our shares on the SGX-ST. Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST. Acceptance of applications for the Invitation Shares will be conditional upon permission being granted to deal in, and for quotation of, all our shares. Moneys paid in respect of any application accepted will be returned, without interest or any share of revenue or other benefit arising therefrom and at the applicant's own risk, if the said permission is not granted.

The MAS assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries or our shares.

We have received in-principle approval of the MAS for the listing and quotation of our shares on the SGX-ST.

No person is authorised to give any information or to make any representation not contained in this prospectus in connection with the Invitation and, if given or made, such information or representation must not be relied

upon as having been authorised by SEL Holdings, our Company or the Global Coordinators and the Underwriters. Neither the delivery of this prospectus and the Application Forms nor the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of our Company, our subsidiaries or in any statement of fact or information contained in this prospectus since the date of this prospectus. Where such changes occur, our Company may make an announcement of the same to SGX-ST. All applicants should take note of any such announcement and, upon release of such announcement, shall be deemed to have notice of such changes. Save as expressly stated in this prospectus, nothing herein is, or may be relied upon as, a promise or representation as to the future performance or policies of our Company or our subsidiaries.

This prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the Invitation Shares or for any other purpose. This prospectus does not constitute an offer, or invitation or solicitation, to purchase the Invitation Shares in any jurisdiction in which such offer or invitation or solicitation is unauthorised or unlawful, nor does it constitute an offer, or invitation or solicitation to any person to whom it is unlawful to make such offer or invitation or solicitation.

Copies of this prospectus and the Application Forms and envelopes may be obtained on request, subject to availability, from:

Merrill Lynch (Singapore) Pte. Ltd.
1 Temasek Avenue #28-01
Millenia Tower
Singapore 039192

The Development Bank of Singapore Ltd
6 Shenton Way
DBS Building Tower One
Singapore 068809

and from DBS Bank branches (including its POSBank Services division), members of the Association of Banks in Singapore, stockbroking members of SGX-ST and merchant banks in Singapore.

The Application List will open at 10:00 a.m. on November 21, 2000 and will remain open until noon on the same day or for such further period or periods as SEL Holdings may decide, subject to any limitation under all applicable laws.

Members of the public will be informed of the application and distribution results and balloting of application (if any) through MASNET and press paid announcement made in both English and Chinese language newspapers in circulation in Singapore.

INDICATIVE TIME-TABLE FOR LISTING

In accordance with the SGX-ST's News Release of May 28, 1993 on the trading of initial public offering shares on a "when issued" basis, an indicative time-table is set out below for the reference of applicants:

<u>Indicative date/time</u>	<u>Event</u>
November 21, 2000, noon	Closing date and time for applications
November 22, 2000	Balloting of applications, if necessary
November 23, 2000, 9:00 a.m.	Commence trading on a "when issued" basis
December 4, 2000	Last day of trading on a "when issued" basis
December 5, 2000, 9:00 a.m.	Commence trading on a "ready" basis
December 8, 2000	Settlement date for all trades done on a "when issued" basis and for all trades done on a "ready" basis on December 5.

The above time-table is only indicative as it assumes that the closing of the Application List is November 21, 2000, the date of admission of the Company to the Official List of the SGX-ST will be November 23, 2000 and SGX-ST's shareholding spread requirement will be complied with and the Invitation Shares will be issued and fully paid-up prior to November 23, 2000. The actual date on which our shares will commence trading on a "when issued" basis will be announced when it is confirmed by the SGX-ST.

The above time-table and procedure may be subject to such modifications as the SGX-ST may in its discretion decide, including the decision to permit trading on a "when issued" basis and the commencement date of such trading. All persons trading in our shares on a "when issued" basis do so at their own risk. **In particular, persons trading in our shares before their Securities Accounts with CDP are credited with the relevant number of shares do so at the risk of selling shares which neither they nor their nominees, if applicable, have been allocated with or are otherwise beneficially entitled to. Such persons are also exposed to the risk of having to cover their net sell positions earlier if "when issued" trading ends sooner than the indicative date mentioned above. Persons who have a net sell position traded on a "when issued" basis should close their position on or before the first day of "ready" basis trading.**

Investors should consult the SGX-ST's announcement on the "ready" listing date on the Internet (at SGX-ST's website <http://www.sgx.com>), INTV or the newspapers, or check with their brokers on the date on which trading on a "ready" basis will commence.

INVITATION STATISTICS

Price for each Invitation Share	S\$1.10
Net Tangible Asset Value per Share	
● based on the historical balance sheet of the Group as at 30 June, 2000 and after giving effect to the subscription for shares by the Selling Shareholder (and based on share capital of 1,000,000,000 shares) ^(a)	S\$0.80
Premium of Offering Price to Net Tangible Asset Value	
● based on the net tangible asset value per share as stated above ^(a)	37.5%
Earnings^(b)	
Pro forma basic net earnings per share of the Group for the year ended 30 June, 2000	S\$0.10
● based on the post-Invitation share capital of 1,000,000,000 shares	
Price Earnings Ratio	
Ratio of the Offering Price per share to pro forma net earnings per share for the year ended 30 June, 2000	11.0 times
Net Operating Cash Flow^(c)	
Pro forma net operating cash flow per share for the year ended 30 June, 2000	S\$0.12
● based on the post-Invitation share capital of 1,000,000,000 shares	

Notes:

- (a) Upon completion of the Invitation, this statistic remains unchanged as the Invitation comprises existing shares only.
- (b) Pro forma net earnings are based on audited net profit after tax and after contribution to fidelity funds.
- (c) Pro forma net operating cash flow is based on the Group's pro forma profit after taxation and after contribution to fidelity funds with depreciation added back.

DIRECTORS' REPORT

November 16, 2000

The Shareholders of
Singapore Exchange Limited
20 Cecil Street #26-01/08
Singapore Exchange
Singapore 049705

Dear Sirs,

This report has been prepared for inclusion in the prospectus of Singapore Exchange Limited (the "Company") dated November 16, 2000 (the "prospectus") in connection with an invitation by SEL Holdings Pte Ltd in respect of the offer for sale of 428,000,000 existing ordinary shares of S\$0.01 each in the capital of the Company.

On behalf of the Directors of the Company, I report that, having made due inquiry in relation to the period between June 30, 2000, the date to which the last audited consolidated financial statements of the Group as set out on pages F-10 to F-31 of the prospectus were made, and the date hereof:

- (a) the business of the Company and its subsidiaries has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since August 21, 1999 (being the date of incorporation of the Company) which have adversely affected or would adversely affect the trading or the value of the assets of the Company or its subsidiaries;
- (c) the current assets of the Company and its subsidiaries appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) no contingent liabilities have arisen by reason of any guarantee given by the Company or any of its subsidiaries; and
- (e) save as disclosed in the section "The EGM—Capital Restructuring" and in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations—Anticipated Investment Losses and Expense Increases", since June 30, 2000, being the date of the last audited consolidated financial statements of the Company and its subsidiaries as set out on pages F-10 to F-31 of the prospectus, there has been no change in the published reserves or any unusual factors affecting the profits of the Company and its subsidiaries.

Yours faithfully,
For and on behalf of the Board of Directors

Joseph Yuvaraj Pillay
Chairman

GENERAL AND STATUTORY INFORMATION

1. Founder, Management or Deferred Shares

We do not have any founder, management or deferred shares. We have only one class of shares, namely the ordinary shares.

2. Directors and Executive Officers

- 2.1 The names, ages, addresses and current occupations of our Directors and the names of our Executive Officers are set out in the section “Management—Directors and Executive Officers.” All our Directors are independent Directors of our Company except for our Chief Executive Officer, Mr. Thomas A. Kloet.
- 2.2 The business and working experience of our Directors and Executive Officers are set out in the section “Management—Background of Directors, Officers and Key Employees.”
- 2.3 The principal directorships of our Directors in other companies outside our Group (a) currently and (b) in the last five years are set out in “Appendix S-A—Current and Past Principal Directorships of Directors.”
- 2.4 The principal directorships of our Executive Officers in other companies outside our Group (a) currently and (b) in the last five years are set out in “Appendix S-B—Current and Past Principal Directorships of Executive Officers”.
- 2.5 Our Articles of Association do not require our Directors to hold any of our shares by way of qualification.
- 2.6 None of our Directors and Executive Officers is or was involved in any of the following events:
 - (a) a petition under any bankruptcy laws filed in any jurisdiction against such person or any partnership in which he was a partner or any corporation of which he was a director or an executive officer; or
 - (b) a conviction of any offence, other than a traffic offence, or a judgment, including findings in relation to fraud, misrepresentation or dishonesty, given against him in any civil proceedings in Singapore or elsewhere, or any proceedings now pending which may lead to such a conviction or judgment and none of our Directors and Executive Officers is aware of any criminal investigation pending against him; or
 - (c) being the subject of any order, judgment or ruling of any court of competent jurisdiction, tribunal or governmental body, permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.
- 2.7 Save as disclosed in the section “Management—Employment Agreements”, there is no existing or proposed service contract between any of our Directors or Executive Officers and our Group.
- 2.8 Save as disclosed in the section “Principal Shareholders and Selling Shareholder”, none of our Directors and Executive Officers has any shareholdings in our Company or any of our subsidiaries as at the date of this prospectus.
- 2.9 The aggregate remuneration (including CPF contributions thereon) paid or distributed to the then existing Directors for services rendered in all capacities to the Group in the period ended June 30, 2000 amounted to approximately S\$817,000. The aggregate remuneration payable to the present Directors in the year

ending June 30, 2001 under the arrangements in force at the date of this prospectus is approximately S\$3,405,000.

3. Nature and Extent of Directors', Executive Officers' and Experts' Interest

- 3.1 None of our Directors has any interest, direct or indirect, (a) in the promotion of our Company or (b) in any property which has within the two years preceding the issue of this prospectus been, or proposed to be, acquired or disposed of by, or leased to, our Company.
- 3.2 No sum has been paid or has been agreed to be paid, and no benefit has been given or has been agreed to be given, to any Director or expert, or to any firm in which a Director or expert is a partner or a corporation in which such Director or expert holds shares or debentures, in cash or shares or otherwise, or by any person to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him or such firm or corporation, in connection with the promotion or formation of our Company.
- 3.3 None of our Directors and Executive Officers is related by blood or marriage with one another nor are they so related to any Substantial Shareholder of our Company.
- 3.4 None of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole.
- 3.5 None of our Directors and Executive Officers has any agreement, arrangement or understanding with any of our Substantial Shareholders, clients or suppliers pursuant to which such person was appointed as our Director or Executive Officer, as the case may be.
- 3.6 Save for Reserved Shares and as disclosed in the sections "Plan of Distribution—Other" and "Principal Shareholders and Selling Shareholder", none of our Substantial Shareholders, Directors and Executive Officers intend to purchase any of the Invitation Shares pursuant to the Invitation. Further, we are not aware of any other person who intends to purchase more than five per cent. of the Invitation Shares pursuant to the Invitation.

4. Articles of Association

- 4.1 The provisions of our Articles of Association relating to the remuneration of our Directors are as follows:—

"86. The ordinary remuneration of the Directors shall from time to time be determined by an Ordinary Resolution of the Company, and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office.

86A. 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 86A shall apply in substitution of Article 86 above. The ordinary remuneration of the Directors shall from time to time be determined by an Ordinary Resolution of the Company, shall not be increased except pursuant to an Ordinary Resolution passed at a General Meeting where notice of the proposed increase shall have been given in the notice convening the General Meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office.

87. Any Director who holds any executive office, or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine.
- 87A. 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 87A shall apply. The remuneration (including any remuneration under Article 87 above) in the case of a Director other than an Executive Director shall be payable by a fixed sum and shall not at any time be by commission on or percentage of the profits or turnover, and no Director whether an executive Director or otherwise shall be remunerated by a commission on or percentage of turnover.
88. The Directors may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Directors or of any committee of the Directors or General Meetings or otherwise in or about the business of the Company.
89. The Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme or fund or to pay premiums.
90. A Director may be party to or in any way interested in any contract or arrangement or transaction to which the Company is a party or in which the Company is in any way interested and he may hold and be remunerated in respect of any office or place of profit (other than the office of Auditor of the Company or any subsidiary thereof) under the Company or any other company in which the Company is in any way interested and he (or any firm of which he is a member) may act in a professional capacity for the Company or any such other company and be remunerated therefor and in any such case as aforesaid (save as otherwise agreed) he may retain for his own absolute use and benefit all profits and advantages accruing to him thereunder or in consequence thereof.
96. The remuneration of a Chief Executive Officer (or Managing Director) shall from time to time be fixed by the Directors and may subject to these presents be by way of salary or commission or participation in profits or by any or all these modes.
- 96A. 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 96A shall apply in substitution of Article 96 above. The remuneration of a Chief Executive Officer (or a Managing Director) shall from time to time be fixed by the Directors and may subject to these presents be by way of salary or commission or participation in profits or by any or all these modes but he shall not under any circumstances be remunerated by a commission on or a percentage of turnover.
105. (D) An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified to the same extent *mutatis mutandis* as if he were a Director but he shall not be entitled to receive from the Company in respect of his appointment as alternate Director any remuneration except only such part (if any) of the remuneration otherwise payable to his principal as such principal may by notice in writing to the Company from time to time direct.”
- 4.2 The provisions of our Articles of Association relating to the power of our Directors to vote on a proposal, arrangement or contract in which they are interested are as follows:—
- “109. A Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any interest, directly or indirectly. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.”

4.3 The provisions of our Articles of Association relating to the borrowing powers exercised by our Directors are as follows:—

“116. Subject as hereinafter provided and to the provisions of the Statutes, the Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.”

4.4 The provisions of our Articles of Association relating to the restrictions on the transferability of our shares are as follows:—

“37. Subject to the restrictions of these presents, any member may transfer all or any of his shares, but every transfer must be in writing and in the usual common form, or in any other form which the Directors may approve. The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed, Provided that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.

37A. 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 37A shall apply in substitution of Article 37 above. All transfers of the legal title in shares may be affected by the registered holders thereof by transfer in writing in the form for the time being approved by any stock exchange upon which shares of the Company may be listed or in any other form acceptable to the Directors. The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed, Provided that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.

39. (A) Except where:—

- (a) a transfer is to be made by a Present Member to another Present Member;
- (b) a transfer is to be made by a member at a purchase price of more than \$5,000 per share; or
- (c) a transfer is to be made by SEL Holdings Pte Ltd,

(in each of which cases this Article 39(A) shall not apply) no member shall transfer any shares held by him, or otherwise sell, dispose of or deal with all or any part of his interest in such shares, during the period:—

- (i) commencing on the transfer date (as that term is defined in The Exchanges (Demutualisation and Merger) Act 1999 (Act No. 27 of 1999) (hereinafter called the “Transfer Date”); and
- (ii) ending on the earlier of (1) the date falling eighteen months after the Transfer Date and (2) the date of the first notice in writing made by the Minister for Finance pursuant to section 8(2) of The Exchanges (Demutualisation and Merger) Act 1999 (Act No. 27 of 1999).

(B) For the purposes of Article 39(A), the term “Present Member” shall mean any member who is allotted shares in the capital of the Company pursuant to section 6 of The Exchanges (Demutualisation and Merger) Act 1999 (Act Not. 27 of 1999).

- (C) The Directors may in their sole discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve, Provided always that in the event of the Directors refusing to register a transfer of shares, they shall within one month beginning with the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.
- 39A. 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 39A shall apply in substitution of Article 39 above. There shall be no restriction on the transfer of fully paid-up shares (except where required by law, the listing rules of any stock exchange upon which shares in the Company may be listed or the rules and/or bye-laws governing any stock exchange upon which shares in the Company may be listed) but the Directors may in their sole discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve, Provided always that in the event of the Directors refusing to register a transfer of shares, they shall within ten Market Days beginning with the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.
40. The Directors may in their sole discretion refuse to register any instrument of transfer unless:
- (a) all or any part of the stamp duty (if any) payable on each share certificate and such fee not exceeding \$2 as the Directors may from time to time require, is paid to the Company in respect thereof;
 - (b) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do;
 - (c) the instrument of transfer is in respect of only one class of shares;
 - (d) the amount of the proper duty with which each share certificate to be issued in consequence of the registration of such transfer is chargeable under any law for the time being in force relating to stamps is tendered; and
 - (e) the instrument of transfer has a declaration attached to it duly made by or on behalf of the transferee stating:—
 - (i) the extent of the transferee's interest, directly or indirectly, in the issued share capital of the Company as at the date of the declaration;
 - (ii) such particulars of the interest in the shares comprised in such instrument of transfer as would otherwise have to be given under the provisions of sub-paragraph (i); and
 - (iii) such other information as may be required by the Directors or by any regulatory authority.
- 40A. 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 40A shall apply in substitution of Article 40 above. The Directors may in their sole discretion refuse to register any instrument of transfer unless:
- (a) all or any part of the stamp duty (if any) payable on each share certificate and such fee not exceeding \$2 as the Directors may from time to time require, is paid to the Company in respect thereof;

- (b) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do;
 - (c) the instrument of transfer is in respect of only one class of shares; and
 - (d) the amount of the proper duty with which each share certificate to be issued in consequence of the registration of such transfer is chargeable under any law for the time being in force relating to stamps is tendered.
41. The Directors may at any other time require a member or the holder of securities convertible into or giving the right to the holders thereof to subscribe for shares in the capital of the Company to submit a declaration or further declaration or furnish evidence or information for the purpose of ascertaining or verifying the interests of the member or holder in shares in the Company or matters related thereto.
- 41A. 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, Article 41 above shall be deleted in its entirety.
42. The Directors may, in their sole discretion, refuse to register any transfer of shares if, inter alia, such transfer is made to a corporation, individual or other legal entity who, in the opinion of the Directors, will hold the shares as a nominee, unless such holding as nominee shall be approved by the Directors.
- 42A. 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, Article 42 above shall be deleted in its entirety.
43. Any resolution or determination of, or decision or exercise of any discretion or power by, the Directors or any Director or under or pursuant to the provisions of Articles 40 to 42 shall be final and conclusive; and any disposal or transfer made, or other thing done, by or on behalf of, or on the authority of, the Directors or any Director pursuant to the foregoing provisions of Articles 40 to 42 shall be conclusive and binding on all persons concerned and shall not be open to challenge, whether as to its validity or otherwise on any ground whatsoever. The Directors shall not be required to give any reasons for any decision, determination or declaration taken or made in accordance with Articles 40 to 42.
- 43A. 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, Article 43 above shall be deleted in its entirety.
44. If the Directors shall refuse to register any transfer of any share, they shall within one month after the date on which the application for transfer was lodged with the Company serve on the transferor and the transferee a notice in writing stating the reasons justifying the refusal to transfer and a notice of refusal as required by the Statutes.
- 44A. 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 44A shall apply in substitution of Article 44 above. If the Directors shall refuse to register any transfer of any share, they shall within ten Market Days after the date on which the application for transfer was lodged with the Company serve on the transferor and the transferee a notice in writing stating the reasons justifying the refusal to transfer and a notice of refusal as required by the Statutes.

45. All instruments of transfer which are registered may be retained by the Company.
46. There shall be paid to the Company in respect of the registration of any instrument of transfer or probate or letters of administration or certificate of marriage or death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding \$2 as the Directors may from time to time require or prescribe.
47. The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company; Provided always that:
- (a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;
 - (b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article; and
 - (c) references herein to the destruction of any document include references to the disposal thereof in any manner.”
- 4.5 The provisions of our Articles of Association relating to the voting rights of the shareholders of our Company are as follows:—
- “70. Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company, each member entitled to vote may vote in person or by proxy. On a show of hands every member who is present in person or by proxy shall have one vote and on a poll, every member who is present in person or by proxy shall have one vote for every share which he holds or represents.
- 70A. 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 70A shall apply in substitution of Article 70 above. Each member who is a holder of ordinary shares in the capital of the Company shall be entitled to be present at any General Meeting. Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company, each member entitled to vote may vote in person or by proxy. On a show of hands, every member who is present in person or by proxy shall have one vote (provided that in the case of a member who is represented by two proxies, only one of the two proxies as determined by that member or, failing such determination, by the Chairman of the meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands) and on a poll, every member who is present in person or by proxy shall have one vote for every share which he holds or represents. For the purpose of determining the number of votes which a member, being

a Depositor, or his proxy may cast at any General Meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by the Depository to the Company.

71. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the share.
- 71A. 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 71A shall apply in substitution of Article 71 above. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members (or as the case may be) the Depository Register in respect of the share.
72. Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such member to vote in person or by proxy at any General Meeting or to exercise any other right conferred by membership in relation to meetings of the Company.
73. No member shall, unless the Directors otherwise determine, be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid.
74. No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.
75. On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.
76. (A) A member may appoint not more than two proxies to attend and vote at the same General Meeting. Provided that if the member is the Depository or its nominee:—
 - (a) the Depository or its nominee may appoint more than two proxies to attend and vote at the same meeting;
 - (b) the Company shall be entitled and bound:—
 - (i) to reject any instrument of proxy lodged if the proxy first named in that instrument, being the Depositor, is not shown, in the records of the Depository as at a time not earlier than 48 hours prior to the time of the relevant General Meeting supplied by the Depository to the Company, to have any shares credited to a Securities Account; and

- (ii) notwithstanding the proportion of shareholding specified in an instrument of proxy pursuant to Article 76(B) below, on a poll, to accept as validly cast by a proxy appointed by the Depository or its nominee, votes in respect of a number of shares not greater than the number of shares credited to the Securities Account of the relevant Depositor, as shown in the records of the Depository as at the time not earlier than 48 hours prior to the time of the relevant General Meeting supplied by the Depository to the Company, whether that number is greater or smaller than the proportion so specified; and
 - (c) the Company shall accept as valid in all respects the form of proxy approved by the Depository (the “CDP Proxy Form”) for use at the date relevant to the General Meeting in question notwithstanding that the same permits the Depositor concerned to nominate a person or persons other than himself as the proxy or proxies of the Depository or its nominee. The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed CDP Proxy Form submitted to it, to have regard to the instructions given by and the notes (if any) set out in the CDP Proxy Form.
 - (B) In any case, where a form of proxy appoints more than one proxy (including the case where such appointment results from a nomination by a Depositor), the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
 - (C) The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.
 - (D) In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- 76A. (A) 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 76A(A) shall apply in substitution of Article 76(A) above. A member may appoint not more than two proxies to attend and vote at the same General Meeting. Provided that if the member is a Depositor, the Company shall be entitled and bound:—
- (a) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by the Depository to the Company; and
 - (b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.
77. A proxy need not be a member of the Company.
78. (A) An instrument appointing a proxy shall be in writing in any usual or common form (including any form approved from time to time by the Depository) or in any other form which the Directors may approve and:
- (a) in the case of an individual, shall be signed by the appointor or his attorney; and

- (b) in the case of a corporation, shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation or, in the case of the Depository or its nominee, signed by its duly authorised officer by some method or system of mechanical signature as the Depository or its nominee may deem appropriate.
 - (B) The signature on such instrument need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor (which shall, for the purposes of this Article 78(B), include a Depositor) by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following Article, failing which the instrument may be treated as invalid.
- 79. An instrument appointing a proxy must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the Office) not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates; Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates.
- 80. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the meeting.
- 81. A vote cast by proxy shall not be invalidated by the previous death or insanity of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.
- 82. Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company and such corporation shall for the purposes of these presents be deemed to be present in person at any such meeting if a person so authorised is present thereat.”

5 Nature of Business; Related Corporations

- 5.1 The nature of our business is set out in the section “Business”.
- 5.2 The names of our related corporations are as follows:

Singapore Exchange Securities Trading Limited
Singapore Exchange Derivatives Trading Limited
The Central Depository (Pte) Limited
Singapore Exchange Derivatives Clearing Limited
Securities Clearing & Computer Services (Pte) Limited
Singapore Exchange IT Solutions Pte Limited

Macronet Information Pte Ltd
Options Clearing Company Pte (Limited)
CDP Nominees Pte Ltd
CDP Nominees (II) Pte Ltd
Asiaclear Pte Ltd
Globalclear Pte Ltd
SGX America Ltd

6. Offering Price

The amount payable on application for the Invitation Shares offered pursuant to the Invitation is S\$1.10 for each Share (the “Offering Price”). There has been no previous listing of our shares by our Company or offer for sale of our shares to the public within the two years preceding the date of this prospectus.

7. Options

- 7.1 Save as disclosed in paragraphs 7.2 and 7.3 below, no person has, or is entitled to be given, any option to subscribe for any of our shares and no option has been exercised.
- 7.2 We had granted and will grant to our Chief Executive Officer, Mr. Thomas A. Kloet, options to subscribe for our shares pursuant to his employment contract with us as described in the section “Management—Employment Agreements”.
- 7.3 (1) On November 1, 2000, our shareholders have approved the SGX Share Option Plan (the “SGX Share Option Plan”). Under the SGX Share Option Plan, we may grant to eligible persons options to subscribe for our shares at a fixed exercise price. As of the date of this prospectus, we have not granted any option under the SGX Share Option Plan. See the sections “Management—Employee Benefit Plans—SGX Share Option Plan” and “Appendix S-C—Rules of SGX Share Option Plan”.
- (2) We intend to grant options under the SGX Share Option Plan as described in the section “Management—Employee Benefit Plans—SGX Share Option Plan”.

8. Share Capital

- 8.1 Save as disclosed in paragraph 8.2 below, there has been no change in the authorised share capital and issued and paid-up share capital of our Company within the three years preceding the date of this prospectus, except as follows:—

As at the date of incorporation, being August 21, 1999, the authorised share capital of our Company was S\$100,000, comprising 100,000 ordinary shares of S\$1.00 each. On November 24, 1999, the authorised share capital was increased from S\$100,000 to S\$1,000,000,000 comprising 1,000,000,000 shares of S\$1.00 each. The authorised share capital will be sub-divided as described in the section “The EGM—Capital Restructuring”.

Upon incorporation, our Company issued 2 subscriber shares at par, which have been transferred to SEL Holdings on November 16, 1999.

Our Company will issue approximately 719.7 million shares to SEL Holdings at their par value for cash pursuant to section 8(1) of the Merger Act.

8.2 The number of our shares which within the two years preceding the date of this prospectus have been issued, or agreed to be issued, as fully or partly paid-up otherwise than in cash (and if partly paid-up, the extent to which those ordinary shares are so paid-up) and the consideration for which those ordinary shares have been issued or are proposed or intended to be issued are as follows:

<u>Date of issue</u>	<u>Number of Shares</u>	<u>Par value (\$)</u>	<u>Issued fully or partly paid up</u>	<u>Consideration for issue</u>
December 1, 1999	61,668	1.00	Credited as fully paid up	See Note 1
November 16, 2000 (expected)	approximately 274.2 million	0.01	Credited as fully paid up	See Note 2

Notes:

1. 61,668 shares of par value S\$1.00 each were issued and credited as fully paid-up pursuant to section 6(1), section 6(3) and section 6(5) of the Merger Act, whereby our Company allotted and issued shares to each former shareholder of SIMEX and SES, and to each holder of a SIMEX seat. These shares were deemed under the Merger Act to have been issued as fully paid.
2. The issue of approximately 274.2 million shares of par value S\$0.01 each to our existing shareholders is expected to take place on November 16, 2000 by way of capitalisation of a sum of approximately S\$2.74 million standing to the credit of our share premium account.

9. Property

Save as disclosed in the section “Business—Properties,” no property has been purchased or acquired, or is proposed to be purchased or acquired, by our Company or any of our subsidiaries which is to be paid for wholly or partly out of the proceeds of the Invitation or the purchase or acquisition of which has not been completed at the date of the issue of this prospectus, other than property the contract for the purchase or acquisition whereof was entered into in the ordinary course of business of our Company or subsidiaries, such contract not being made in contemplation of the Invitation nor the Invitation in consequence of the contract.

10. Commission

We have not paid any amount within the two years preceding the date of this prospectus as commission, and there is no such amount payable, to any of our Directors, proposed directors, promoters or experts for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any of our shares or debentures.

11. Offering Expenses

The estimated amount of preliminary expenses in connection with the incorporation of our Company is S\$38,000 and has been paid by our Company. The expenses payable in connection with the Invitation and the application for listing, including underwriting and placement commission, brokerage, management fee and all other incidental expenses relating to the Invitation, are estimated to amount to S\$13 million, which will be borne by SEL Holdings, and accordingly no expenses relating to the Invitation will be borne by our Company.

12. Promoters

We have not paid any amount or given any benefit within the two years preceding the date of this prospectus, and do not intend to pay or give any such amount or benefit, to any of our promoters.

In this paragraph 12, “promoter” means a promoter who is a party to the preparation of this prospectus, but does not include any person by reason only of his acting in a professional capacity.

13. Receiving Bank

SEL Holdings will place all application moneys received with respect to successful applications (including successful balloted applications which are subsequently rejected) in a separate non-interest bearing account with the Receiving Bank. In the ordinary course of its business, the Receiving Bank will deploy these moneys in the interbank money market. Pursuant to an agreement entered into between our Company, SEL Holdings and the Receiving Bank contained in a letter dated November 15, 2000, our Company, SEL Holdings and the Receiving Bank have agreed that SEL Holdings will receive for its own account any net revenue earned by the Receiving Bank from the deployment of such moneys in the interbank money market. Any refund of all or part of the application moneys to unsuccessful or partially successful applicants will be made without any interest or any share of such net revenue or other benefit.

14. Material Contracts

The date of, parties to, and general nature of every material contract which our Group have entered into within the two years preceding the date of this prospectus (not being contracts entered into in the ordinary course of our business or of the business of our subsidiaries) are as follows:—

- (a) An asset sale agreement dated May 1, 2000 made between our Company, as transferee, and (1) CDP, (2) SGX-ST and (3) SGX-DT, as the transferors, pursuant to which our Company agreed to purchase the assets of CDP, SGX-ST and SGX-DT respectively, as itemised in the asset sale agreement, for a sum of S\$157,976,361.87, S\$160,688,352.53 and S\$137,856,146.09 respectively, being an aggregate sum of S\$456,520,860.49;
- (b) the Depository Agreement dated November 15, 2000 made between our Company and the CDP pursuant to which CDP agreed to act as the central depository for our shares for trading in the shares through the SGX-ST;
- (c) the Purchase Agreement dated November 15, 2000 made between (1) our Company, (2) SEL Holdings, and (3) the Global Coordinators, further particulars of which are set out in “General and Statutory Information—Retail Offer and Institutional Placement Arrangements”, paragraph 16.3;
- (d) the Retail Offer Agreement dated November 15, 2000 made between (1) our Company, (2) SEL Holdings, (3) the Joint Lead Managers, and (4) the Underwriters named therein, further particulars of which are set out in “General and Statutory Information—Retail Offer and Institutional Placement Arrangements”, paragraph 16.1;
- (e) the Placement Agreement dated November 15, 2000 made between (1) our Company, (2) SEL Holdings and (3) Merrill Lynch, pursuant to which Merrill Lynch agreed to act as placement agent for SEL Holdings to use its best efforts to place out shares of our Company at the Offering Price; and
- (f) the Deed of Undertaking dated November 15, 2000 made by our Company and SGX-ST in favour of MAS as described in the section “Regulatory Oversight of the Exchanges—SGX”.

15. Litigation

There are no legal or arbitration proceedings, including those relating to bankruptcy, receivership or other similar proceedings and those involving any third party, against our Company or our subsidiaries, which may have or have had in the recent past, significant effects on the financial position of our Company and our subsidiaries.

16. Retail Offer and Institutional Placement Arrangements

- 16.1 Pursuant to the Retail Offer Agreement dated November 15, 2000, SEL Holdings has appointed the Joint Lead Managers to manage the Retail Offer, and the Underwriters to purchase or procure purchasers for the Offer Shares at the Offering Price. SEL Holdings has agreed to pay an underwriting commission of 1.25 per cent. of the aggregate Offering Price for the Offer Shares underwritten by the Underwriters.
- 16.2 SEL Holdings will pay brokerage on the Offer Shares (i) to stockbroking members of SGX-ST, members of the Association of Banks in Singapore and merchant banks in Singapore (including the Joint Lead Managers) in respect of successful applications made on Application Forms bearing their respective stamps and (ii) to the Participating Banks in respect of successful Electronic Applications, in each case at the rate of 1.0 per cent. of the aggregate Offering Price for the Offer Shares.
- 16.3 Pursuant to the Purchase Agreement dated November 15, 2000, the Global Coordinators agreed to purchase or procure purchasers for the Placement Shares at the Offering Price. SEL Holdings has agreed to pay them underwriting commission at the rate of 2.75 per cent. of the aggregate Offering Price for the Placement Shares purchased and paid for.
- 16.4 The Purchase Agreement may be terminated by the Global Coordinators at any time on or prior to the date of the close of the Application List on the occurrence of certain events including, *inter alia* material adverse changes in the financial markets in Singapore or the United States, or in the international financial markets generally, or any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development or event involving a prospective change in national or international political, financial or economic conditions which, in the judgment of the Global Coordinators, will make it impracticable to market the Placement Shares.
- 16.5 The Retail Offer Agreement is conditional upon the Purchase Agreement having become unconditional and the Purchase Agreement is conditional upon the occurrence of certain events including, *inter alia*, admission of our shares to the Official List of the SGX-ST.

17. Bank Borrowings and Working Capital

- 17.1 Save as disclosed in the Financial Statements on pages F-10 to F-31 of this prospectus, our Group had, as at June 30, 2000, no other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.
- 17.2 Our Directors are of the opinion that, after taking into account the present banking facilities, our Group will have adequate working capital for their present requirements.

18. Auditors

Our auditors are PricewaterhouseCoopers at 8 Cross Street #17-00, PWC Building, Singapore 048424. PricewaterhouseCoopers have been our auditors since November 15, 1999.

19. Validity of Prospectus

No Invitation Share is being offered on the basis of the preliminary prospectus dated November 3, 2000. None of the Invitation Shares offered pursuant to the Invitation shall be allocated on the basis of the final prospectus dated November 16, 2000 later than six months after the date of the final prospectus.

20. Application List

The time of opening of the Application List is set out on page S-2 of this prospectus.

21. Consents

PricewaterhouseCoopers, as Independent and Reporting Accountants, have given and have not withdrawn their written consent to the issue of this prospectus with the inclusion herein of, and of references to, (i) their name, (ii) the Accountants' Report on the Unaudited Pro Forma Combined Financial Statements and (iii) their reports on the audited financial statements set out on pages F-10 to F-75 in the form and context in which they respectively appear in this prospectus and to act in such capacity in relation to this prospectus.

Foo, Kon & Tan, as Independent Accountants, have given and have not withdrawn their written consent to the issue of this prospectus with the inclusion herein of, and of references to their name and their report on the audited financial statements set out on pages F-76 to F-87 in the form and context in which they respectively appear in this prospectus and to act in such capacity in relation to this prospectus.

(i) Cravath, Swaine & Moore, our counsel as to U.S. law, (ii) Allen & Gledhill, our counsel as to Singapore law, (iii) Citibank, N.A.; DBS Bank; Oversea-Chinese Banking Corporation Limited; Overseas Union Bank Limited; and United Overseas Bank Limited, as our principal bankers, and (iv) the Joint Lead Managers and Global Coordinators, (v) the Underwriters and (vi) the Share Registrar, have each given and have not withdrawn their respective written consents to the issue of this prospectus with the inclusion herein of, and of references to, their respective names in the form and context in which they respectively appear in this prospectus and to act in those capacities in relation to this prospectus.

22. Managers' Responsibility Statement

Merrill Lynch and DBS Bank, as Joint Lead Managers of the Invitation, acknowledge that, having made due and careful enquiry and to the best of their knowledge and belief, based on information furnished to them by our Group, this prospectus constitutes a full and true disclosure of all material facts about the Invitation and our Group.

23. Directors' and SEL Holdings' Responsibility Statement

23.1 Our Directors individually and collectively accept full responsibility for the accuracy of the information given in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, (i) this prospectus constitutes full and true disclosure of all material facts about the Invitation and our Group and (ii) there are no other material facts the omission of which would make any statement in this prospectus misleading.

23.2 SEL Holdings accepts full responsibility for the accuracy of the information given in this prospectus and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief, (i) this prospectus constitutes full and true disclosure of all material facts about the Invitation and our Group and (ii) there are no other material facts the omission of which would make any statement in this prospectus misleading.

24. Documents on Display

Copies of the following documents are available for inspection at our registered office at 20 Cecil Street, #26-01/08, Singapore 049705, during normal business hours for a period of six months from the date of this prospectus:

- (1) our Memorandum and Articles of Association;
- (2) our Directors' Report;
- (3) the material contracts referred to in paragraph 14 above;
- (4) the letters of consent referred to in paragraph 21 above; and
- (5) the Accountants' Report and the Unaudited Pro Forma Combined Financial Statements; the audited financial statements of our Group for the period from 21 August 1999, the date of incorporation of SGX, to 30 June 2000; the audited consolidated financial statements of SGX-ST and SCCS for the financial years ended 30 June 1998 and 1999 and the financial period from 1 July 1999 to 30 November 1999; and the audited consolidated financial statements of SGX-DT for the financial years ended 31 December 1997 and 31 December 1998 and the financial periods from 1 January 1999 to 30 June 1999 and from 1 July 1999 to 30 November 1999.

APPENDIX S-A—CURRENT AND PAST PRINCIPAL DIRECTORSHIPS OF DIRECTORS

<u>Name</u>	<u>Present Directorships</u>	<u>Past Directorships (in the last five years)</u>
Joseph Yuvaraj Pillay	Singapore Exchange Securities Trading Limited Singapore Exchange Derivatives Trading Limited Singapore Exchange IT Solutions Pte Limited The Central Depository (Pte) Limited Securities Clearing and Computer Services (Pte) Limited Singapore Exchange Derivatives Clearing Limited Singapore Indian Development Association (Life Trustee) Commonwealth Africa Investments Limited (Chairman) Oversea-Chinese Banking Corporation Limited Asia-Europe Foundation (Member, Board of Governors) Financial Sector Development Fund Advisory Committee of the Monetary Authority of Singapore (Member) Investment Committee of the United Nations Pension Fund (Member) SEL Holdings Pte Ltd	
Thomas A. Kloet	Singapore Exchange Securities Trading Limited The Central Depository (Pte) Limited Securities Clearing & Computer Services (Pte) Limited Singapore Exchange IT Solutions Pte Limited Singapore Exchange Derivatives Trading Limited Singapore Exchange Derivatives Clearing Limited Macronet Information Pte. Ltd. Options Clearing Company (Pte) Limited CDP Nominees Pte Ltd CDP Nominees (II) Pte Ltd Asiaclear Pte Ltd GlobalClear Pte Ltd SGX America Ltd SEL Holdings Pte Ltd	ABN AMRO Futures (Singapore) ABN AMRO UK Chicago Mercantile Exchange Chicago Mercantile Exchange Trust (Trustee) Globex Foreign Exchange Facility Commodity Futures Political Fund Elmhurst Memorial Health System Elmhurst Memorial Hospital

<u>Name</u>	<u>Present Directorships</u>	<u>Past Directorships (in the last five years)</u>
Richard Gnodde	Goldman Sachs (Asia) L.L.C. Goldman Sachs (Asia Pacific) L.L.C. Goldman Sachs Australia Pty Limited Goldman Sachs Australia Nominees Pty Limited Goldman Sachs (Asia) Securities Limited Goldman Sachs (Asia) Finance Goldman Sachs Futures (Asia) Limited Goldman Sachs Australia Metals Goldman Sachs (China) L.L.C. Goldman Sachs (India) L.L.C. Goldman Sachs (India) Pvt. Limited Goldman Sachs (Mauritius) L.L.C. Goldman Sachs (Japan) Ltd. Kotak Mahindra Capital Company Goldman Sachs & Co. L.L.C. The J. Aron Corporation	Goldman Sachs (Singapore) Pte. Goldman Sachs Futures Pte. Ltd. Goldman Sachs Foreign Exchange (Singapore) Pte. J. Aron & Company (Singapore) Pte.
Goh Yew Lin	G. K. Goh Holdings Limited G. K. Goh Stockbrokers Pte Ltd G. K. Goh Research Pte Ltd G. K. Goh Securities (H.K.) Ltd G. K. Goh Securities (U.K.) Ltd GKG Investment Holdings Pte Ltd Saliendra Pte Ltd Freesia Investments Pte Ltd Boyer Allan Pacific Fund Inc. Boyer Allan Management Ltd Singapore Symphonia Company Ltd Goh, Vickers Ltd	PT G. K. Goh Ometraco
Ho Tian Yee	Hexa-Team Planners Pte Ltd Singapore MRT Ltd Pacific Asset Management (S) Pte Ltd Tuan Sing Holdings Limited SPP Limited Fraser and Neave, Ltd SMRT Corporation Limited The Overseas Assurance Corporation Limited Times Publishing Ltd SAVER-Premium Fund, Ministry of Defence (Member of the Board of Trustees)	PSA Corporation Ltd Singapore International Monetary Exchange Ltd Amcol Holdings Ltd Sankei Pte Ltd Asia Food & Properties Ltd
Victor Liew Cheng San	OUB Bullion & Futures Ltd Overseas Union Bank Trustees Ltd Singapore Commodity Exchange Ltd (SICOM) (Chairman)	Singapore International Monetary Exchange Ltd

<u>Name</u>	<u>Present Directorships</u>	<u>Past Directorships (in the last five years)</u>
Low Check Kian	Infocomm Development Authority of Singapore Infocomm Investments Pte Ltd (Chairman) Merrill Lynch (Singapore) Pte. Ltd. Merrill Lynch (Singapore) Nominees Pte Ltd Merrill Lynch Securities Phillippines, Inc PT Merrill Lynch Indonesia Smith Zain (Malaysia) Sdn Bhd Merrill Lynch Phatra Securities Co. Ltd	
Robert Michael Stein	Deutsche Asia Pacific Holdings Pte Ltd	Deutsche Securities Limited
George Teo Eng Kim	Sassoon Holdings Pte Ltd J.M. Sassoon & Co. (Pte) Ltd. (Executive Chairman) Sassoon Financial Futures Pte Ltd Sassoon Overseas Services Ltd Sassoon Securities Limited Sassoon Futures Limited Sassoon Securities Japan Limited P.T. Sassoon Securities Indonesia (President Commissioner) P.T Sassoon Wushen Kedaung (Commissioner) Sassoon (Europe) Limited Sassoon International Guernsey Ltd CDIC Sassoon Cumberbatch Stockbrokers (Pvt) Ltd Hansberger Global Inc. Wan Kim Pte Ltd Singapore Exchange Securities Trading Limited The Central Depository (Pte) Limited Securities Clearing & Computer Services (Pte) Ltd	Harlow Ueda Sassoon (S) Ltd.
Hidetoshi Mine		Tokyo Mitsubishi International Singapore Bank of Tokyo International Hong Kong Bank of Tokyo, Mitsubishi Group

<u>Name</u>	<u>Present Directorships</u>	<u>Past Directorships (in the last five years)</u>
Wong Ngit Liong	Venture Manufacturing (Singapore) Ltd Multitech Systems Pte Ltd Ventech Data Systems Pte Ltd Cebelian Holdings Pte Ltd Venture Meto International Pte Ltd Advanced Products Corporation Pte Ltd Innovative Trek Technology Pte Ltd VS Electronics Pte Ltd EAS Security Systems Pte Ltd VIPColor Technologies Pte Ltd Keppel TatLee Bank Limited SIA Engineering Company Ltd NLW Pte Ltd k1 Ventures Limited	

**APPENDIX S-B—CURRENT AND PAST PRINCIPAL DIRECTORSHIPS
OF EXECUTIVE OFFICERS**

<u>Name</u>	<u>Present Directorships</u>	<u>Past Directorships (in the last five years)</u>
Ang Swee Tian	Singapore Exchange Derivatives Trading Limited Singapore Exchange Derivatives Clearing Limited Macronet Information Pte Ltd Options Clearing Company (Pte) Limited CDP Nominees Pte Ltd CDP Nominees (II) Pte Ltd AsiaClear Pte Ltd GlobalClear Pte Ltd SGX America Ltd Public Accountants Board (Member) The Central Depository (Pte) Limited	SEL Holdings Pte Ltd

APPENDIX S-C RULES OF SGX SHARE OPTION PLAN

1. Name of the Plan

The Plan shall be called the “SGX Share Option Plan”.

2. Definitions

2.1 In the Plan, unless the context otherwise requires, the following words and expressions shall have the following meanings:—

“Act”	The Companies Act, Chapter 50 of Singapore.
“Adoption Date”	The date on which the Plan is adopted by the Company in general meeting.
“Aggregate Subscription Cost”	The total amount payable for Shares which may be acquired on the exercise of an Option.
“Articles”	The Articles of Association of the Company, as amended from time to time.
“Associated Company”	A company in which at least twenty (20) per cent. but not more than fifty (50) per cent. of its shares are held by the Company and/or its subsidiaries, or a subsidiary of such company, and over which the Company has control.
“Associated Company Employee”	Any employee of an Associated Company (including any Associated Company Executive Director) selected by the Committee to participate in the Plan in accordance with Rule 4.1(c).
“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.
“CDP”	The Central Depository (Pte) Limited.
“CPF”	Central Provident Fund.
“Committee”	A committee comprising Directors as may be nominated by the Board of Directors, duly authorised and appointed by the Board of Directors to administer the Plan, provided that a majority of the Committee shall comprise Non-Executive Directors of the Company.
“Company”	Singapore Exchange Limited, a company incorporated in the Republic of Singapore.
“Date of Grant”	In relation to an Option, the date on which the Option is granted pursuant to Rule 5.

“Exercise Period”	<p>The period for the exercise of an Option, being:—</p> <ul style="list-style-type: none"> (a) in the case of an Option granted to a Group Employee at a Subscription Price which is equal to or more than the Market Price on the Date of Grant pursuant to Rule 6.1(a), a period commencing after the 1st anniversary of the Date of Grant and expiring on the 10th anniversary of such Date of Grant; (b) in the case of an Option granted to a Group Employee at a Subscription Price which is less than the Market Price on the Date of Grant pursuant to Rule 6.1(b), a period commencing after the 2nd anniversary of the Date of Grant and expiring on the 10th anniversary of such Date of Grant; (c) in the case of an Option granted to a Non-Executive Director or an Associated Company Employee at a Subscription Price which is equal to or more than the Market Price on the Date of Grant pursuant to Rule 6.1(a), a period commencing after the 1st anniversary of the Date of Grant and expiring on the 5th anniversary of such Date of Grant or, if applicable laws permit, on such later date as the Committee may specify on the Date of Grant; and (d) in the case of an Option granted to a Non-Executive Director or an Associated Company Employee at a Subscription Price which is less than the Market Price on the Date of Grant pursuant to Rule 6.1(b), a period commencing after the 2nd anniversary of the Date of Grant and expiring on the 5th anniversary of such Date of Grant or, if applicable laws permit, on such later date as the Committee may specify on the Date of Grant, <p>subject as provided in Rules 7 and 8 and to any other conditions as may be determined by the Committee from time to time.</p>
“Grantee”	The person to whom an offer of an Option is made.
“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 Plan in accordance with Rule 4.1(a).
“Group Executive Director”	A director of the Company and/or its subsidiaries, as the case may be, who performs an executive function.
“Listing Manual”	The Listing Manual of the Singapore Exchange Securities Trading Limited.
“Market Day”	A day on which the Stock Exchange is open for trading in securities.
“Market Price”	<p>In relation to an Option,</p> <ul style="list-style-type: none"> (a) a price determined by the Committee to be equal to the average of the last dealt prices for the Shares on the Stock

Exchange over the five consecutive Trading Days immediately preceding the Date of Grant of that Option, as determined by the Committee by reference to the daily official list or any other publication published by the Stock Exchange; or

- (b) where the Shares are not listed on the Stock Exchange, a price determined by the Committee in good faith.

“Non-Executive Director”

A director of:—

- (a) the Company and/or its subsidiaries, other than a Group Executive Director; or
- (b) an Associated Company, other than an Associated Company Executive Director.

“Option”

The right to subscribe for Shares granted or to be granted to a Group Employee, a Non-Executive Director or an Associated Company Employee pursuant to the Plan and for the time being subsisting.

“Participant”

The holder of an Option.

“Plan”

The SGX Share Option Plan, as the same may be modified or altered from time to time.

“Shares”

Ordinary shares of par value \$1.00 each (or such other par value as may be applicable from time to time for ordinary shares) in the capital of the Company.

“Stock Exchange”

The Singapore Exchange Securities Trading Limited and any other stock exchange on which the Shares are quoted or listed.

“Subscription Price”

The price at which a Participant shall subscribe for each Share upon the exercise of an Option which shall be the price as determined in accordance with Rule 6.1, as adjusted in accordance with Rule 11.

“Trading Day”

A day on which the Shares are traded on the Stock Exchange.

“Vesting Schedule”

In relation to an Option, a schedule for the vesting of Shares comprised in the Option during the Exercise Period in relation to that Option to be determined by the Committee on the Date of Grant of that Option.

“\$”

Singapore dollar.

2.2 For purposes of the Plan, the Company shall be deemed to have control over another company if it has the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of that company.

2.3 Words importing the singular number shall, where applicable, include the plural number and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter gender.

- 2.4 Any reference to a time of a day in the Plan is a reference to Singapore time.
- 2.5 Any reference in the Plan to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in the Plan shall have the meaning assigned to it under the Act.

3. Objectives of the Plan

The Plan is a share incentive scheme. The Plan is proposed on the basis that it is important to retain staff whose contributions are essential to the well-being and prosperity of the Group and to give recognition to outstanding employees and executive and non-executive directors of the Group and Associated Companies who have contributed to the growth of the Group. The Plan will give Participants an opportunity to have a personal equity interest in the Company at no direct cost to its profitability and will help to achieve the following positive objectives:—

- (a) the motivation of the Participant to optimise his performance standards and efficiency and to maintain a high level of contribution to the Group;
- (b) the retention of key employees and executive directors of the Group and Associated Companies whose contributions are essential to the long-term growth and profitability of the Group;
- (c) to instill loyalty to, and a stronger identification by employees with the long-term prosperity of, the Company;
- (d) to attract potential employees with relevant skills to contribute to the Group and to create value for the shareholders of the Company;
- (e) to align the interests of employees with the interests of the shareholders of the Company; and
- (f) to give recognition to the contributions made or to be made by Non-Executive Directors to the success of the Group.

The grant of Options under the Plan will however, be dependent on the prevailing and/or projected financial performance of the Group.

4. Eligibility of Participants

- 4.1 The following persons, 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, shall be eligible to participate in the Plan at the absolute discretion of the Committee:—
- (a) Group Employees who have attained the age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time and who have, as of the Date of Grant, been in the full-time employment of the Group for a period of at least twelve (12) months (or in the case of any Group Executive Director, such shorter period as the Committee may determine);
 - (b) Non-Executive Directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group; and
 - (c) Associated Company Employees who have attained the age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time and who, in the opinion of the Committee, have contributed or will contribute to the success of the Group and who have, as of the Date of Grant, been in the full-time employment of the relevant Associated Company for a period of

at least twelve (12) months (or in the case of any Associated Company Executive Director, such shorter period as the Committee may determine).

For the avoidance of doubt, notwithstanding anything in this Plan, any person who is a controlling shareholder (as defined in the Listing Manual) of the Company or any associate (as defined in the Listing Manual) of such controlling shareholder shall not be eligible to participate in this Plan.

- 4.2 The number of Shares comprised in Options to be offered to a Group Employee, a Non-Executive Director or an Associated Company Employee in accordance with the Plan shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as his rank, job performance, years of service, potential for future development and his contribution to the success and development of the Group and the Group's performance.

5. Grant and Acceptance of Options

- 5.1 Subject as provided in Rule 10, the Committee may grant Options to Group Employees, Non-Executive Directors and/or Associated Company Employees, in each case, as the Committee may select in its absolute discretion, at any time during the period when the Plan is in force, provided that no Option shall be granted during the period of thirty (30) days immediately preceding the date of announcement of the Company's financial results. In the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, Options may only be granted on or after the 3rd Market Day after the date on which such announcement is released.
- 5.2 The Letter of Offer to grant an Option shall be in, or substantially in, the form set out in Schedule A, subject to such modification as the Committee may from time to time determine. An Option may be granted subject to such conditions as may be determined by the Committee, in its absolute discretion, on the Date of Grant of that Option.
- 5.3 An Option shall be personal to the person to whom it is granted and shall not be transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, except with the prior approval of the Committee.
- 5.4 The grant of an Option under this Rule 5 shall be accepted by the Grantee within thirty (30) days from the Date of Grant of that Option and, in any event, not later than 5.00 p.m. on the 30th day from such Date of Grant by completing, signing and returning the Acceptance Form in or substantially in the form set out in Schedule B, subject to such modification as the Committee may from time to time determine, accompanied by payment of \$1.00 as consideration.
- 5.5 If a grant of an Option is not accepted in the manner as provided in Rule 5.4, such offer shall, upon the expiry of the thirty (30) day period, automatically lapse and become null, void and of no effect.

6. Subscription Price

- 6.1 Subject to any adjustment pursuant to Rule 11, the Subscription Price for each Share in respect of which an Option is exercisable shall be determined by the Committee, in its absolute discretion, on the Date of Grant, to be either:—
- (a) a price equal to the Market Price or such higher price as may be determined by the Committee in its absolute discretion; or
 - (b) a price which is set at a discount to the Market Price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount which may be given

in respect of any Option shall not exceed twenty (20) per cent. of the Market Price in respect of that Option.

- 6.2 In making any determination under Rule 6.1(b) on whether to give a discount and the quantum of such discount, the Committee shall be at liberty to take into consideration such criteria as the Committee may, in its absolute discretion, deem appropriate, including but not limited to:—
- (a) the performance of the Group or Associated Company, as the case may be;
 - (b) the years of service and individual performance of the Participant;
 - (c) the contribution of the Participant to the success and development of the Company and/or the Group; and
 - (d) the prevailing market conditions.
- 6.3 The Subscription Price in respect of an Option shall in no event be less than the nominal value of a Share.

7. Rights to Exercise Options

- 7.1 Subject as provided in Rules 7 and 8, an Option shall be exercisable, in whole or in part, during the Exercise Period applicable to that Option and in accordance with the Vesting Schedule (if any) and the conditions (if any) applicable to that Option.
- 7.2 An Option shall, to the extent unexercised, immediately lapse without any claim whatsoever against the Company:—
- (a) in the event of misconduct on the part of the Participant as determined by the Committee in its discretion; or
 - (b) subject to Rule 7.3(b), where the Participant ceases at any time to be in the employment of any of the Group or Associated Company for any reason whatsoever.

For the purpose of Rule 7.2(b), the Participant shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

For the avoidance of doubt, no Option shall lapse pursuant to Rule 7.2(b) in the event of the transfer of employment of a Participant between the Group and any Associated Company.

- 7.3 In any of the following events, namely:—
- (a) the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of an Option;
 - (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; 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;
- (c) where a Participant, being a Non-Executive Director, ceases at any time to be a director of any company within the Group or an Associated Company for any reason whatsoever;
- (d) the death of a Participant; or
- (e) any other event approved by the Committee,

an Option then held by that Participant shall, to the extent unexercised, lapse without any claim whatsoever against the Company, unless otherwise determined by the Committee in its absolute discretion. In exercising such discretion, the Committee may:—

- (aa) determine the number of Shares comprised in that Option which may be exercised and the period during which such Option shall be exercisable, being a period not later than the expiry of the Exercise Period in respect of that Option. Such Option may be exercised at any time notwithstanding that the date of exercise of such Option falls on a date prior to the first day of the Exercise Period in respect of such Option. Upon the expiry of such period as determined by the Committee, the Option, to the extent unexercised, shall lapse; or
- (bb) allow that Participant to exercise any unexercised Option(s) in the manner and at the times provided in Rule 7.1.

7.4 Notwithstanding any provision to the contrary, the Committee may, in its absolute discretion, by notice to the Participants, suspend the exercise of any Option for such period or periods as the Committee may determine, provided that the period(s) of suspension shall not exceed in aggregate sixty (60) days in any one calendar year.

8. Take-Over and Winding-Up of the Company

8.1 Notwithstanding Rule 7 but subject to Rule 8.5, in the event of a take-over being made for the Shares, a Participant shall be entitled to exercise any Option held by him and as yet unexercised, in respect of such number of Shares comprised in that Option as may be determined by the Committee in its absolute discretion, in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:—

- (i) the expiry of six (6) months thereafter, unless prior to the expiry of such six-month period, at the recommendation of the offeror and with the approvals of the Committee, the Monetary Authority of Singapore and/or such other relevant regulatory authority, such expiry date is extended to a later date (in either case, being a date falling not later than the expiry of the Exercise Period relating thereto); or
- (ii) the date of expiry of the Exercise Period relating thereto,

whereupon the Option then remaining unexercised shall lapse.

Provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition under the provisions of the Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participant until the expiry of such specified date or the expiry of the Exercise Period relating thereto, whichever is earlier. Any Option not so exercised shall lapse, provided that the rights of acquisition or

obligations to acquire shall have been exercised or performed, as the case may be. If such rights or obligations have not been exercised or performed, the Option shall, notwithstanding Rule 7, remain exercisable until the expiry of the Exercise Period relating thereto.

- 8.2 If under the Act, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Participant shall be entitled, notwithstanding Rule 7 but subject to Rule 8.5, to exercise any Option then held by him, in respect of such number of Shares comprised in that Option as may be determined by the Committee in its absolute discretion, during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Exercise Period relating thereto), whereupon the Option shall lapse and become null and void.
- 8.3 If an order is made for the winding-up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.
- 8.4 In the event of a members' solvent voluntary winding-up (other than for amalgamation or reconstruction), the Participant shall be entitled, within thirty (30) days of the passing of the resolution of such winding-up (but not after the expiry of the Exercise Period relating thereto), to exercise any unexercised Option in respect of such number of Shares comprised in that Option as may be determined by the Committee in its absolute discretion, after which such unexercised Option shall lapse and become null and void.
- 8.5 If, in connection with the making of a general offer referred to in Rule 8.1 or the scheme referred to in Rule 8.2 or the winding-up referred to in Rule 8.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, as yet not exercised, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 8.
- 8.6 To the extent that an Option is not exercised within the periods referred to in this Rule 8, it shall lapse and become null and void.

9. Exercise of Options, Allotment and Listing of Shares

- 9.1 Subject to Rule 7.1, an Option may be exercised, in whole or in part.
- 9.2 An Option may be exercised by a Participant giving notice in writing to the Company in or substantially in the form set out in Schedule C, subject to such modification as the Committee may from time to time determine. Such notice must be accompanied by payment in cash for the Aggregate Subscription Cost in respect of the Shares for which that Option is exercised and any other documentation the Committee may require. An Option shall be deemed to be exercised upon receipt by the Company of the said notice, duly completed, and the Aggregate Subscription Cost. All payments made shall be made by cheque, cashiers' order, banker's draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company.
- 9.3 Subject to such consents or other required action of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to the compliance with the terms of the Plan, the Articles and the Memorandum of Association of the Company, the Company shall, within ten (10) Market Days after the exercise of an Option, allot the relevant Shares and despatch to CDP the relevant share certificates by ordinary post or such other mode as the Committee may deem fit.

If the Shares are listed on the Stock Exchange, the Company shall, as soon as practicable after such allotment, apply to the Stock Exchange for permission to deal in and for quotation of such Shares.

9.4 Shares which are allotted on the exercise of an Option by a Participant shall be issued in the name of CDP to the credit of the securities account of that Participant maintained with CDP, the securities sub-account of that Participant maintained with a Depository Agent or the CPF investment account maintained with a CPF agent bank, in each case, as designated by the Participant.

9.5 Shares allotted and issued on exercise of an Option shall:—

- (a) be subject to all the provisions of the Articles and the Memorandum of Association of the Company; and
- (b) rank in full 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 date upon which such exercise occurred, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

“*Record Date*” means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

9.6 The Company shall keep available sufficient unissued Shares to satisfy the full exercise of all Options for the time being remaining capable of being exercised.

10. Limitation on the Size of the Plan

The aggregate nominal amount of new Shares over which the Committee may grant Options on any date, when added to the nominal amount of new Shares issued and issuable in respect of all Options granted under the Plan, shall not exceed fifteen (15) per cent. of the issued share capital of the Company on the day preceding that date.

11. Adjustment Events

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.

11.2 Unless the Committee considers an adjustment 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 Stock Exchange (if the Shares are listed on the Stock Exchange) during the period when a share purchase mandate granted by shareholders of the Company (including any renewal of such mandate) is in force, shall not normally be regarded as a circumstance requiring adjustment.

11.3 Notwithstanding the provisions of Rule 11.1:—

- (a) no such adjustment shall be made if as a result, the Subscription Price shall fall below the nominal amount of a Share and if such adjustment would, but for this paragraph (a), result in the Subscription Price being less than the nominal amount of a Share, the Subscription Price payable shall be the nominal amount of a Share; and
 - (b) 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.
- 11.4 Upon any adjustment required to be made pursuant to this Rule 11, the Company shall notify the Participant (or his duly appointed personal representatives, where applicable) in writing and deliver to him (or his duly appointed personal representatives, where applicable) a statement setting forth the Subscription Price thereafter in effect and the nominal amount, class and/or number of Shares thereafter to be issued on the exercise of the Option. Any adjustment shall take effect upon such written notification being given.

12. Administration of the Plan

- 12.1 The Plan shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board of Directors of the Company, provided that no member of the Committee shall participate in any deliberation or decision in respect of Options to be granted to him or held by him.
- 12.2 The Committee shall have the power, from time to time, to make and vary such regulations (not being inconsistent with the Plan) for the implementation and administration of the Plan as they think fit. Any matter pertaining or pursuant to the Plan and any dispute and uncertainty as to the interpretation of the Plan, any rule, regulation or procedure thereunder or any rights under the Plan shall be determined by the Committee.
- 12.3 Neither the Plan nor the grant of Options under the Plan shall impose on the Company or the Committee any liability whatsoever in connection with:—
- (a) the lapsing or early expiry of any Option pursuant to any provision of the Plan;
 - (b) the failure or refusal by the Committee to exercise, or the exercise by the Committee of, any discretion under the Plan; and/or
 - (c) any decision or determination of the Committee made pursuant to any provision of the Plan.
- 12.4 Any decision or determination of the Committee made pursuant to any provision of the Plan (other than a matter to be certified by the Auditors) shall be final, binding and conclusive.

13. Notices

- 13.1 Any notice required to be given by a Participant to the Company shall be sent or made to the registered office of the Company or such other addresses (including electronic mail addresses) or facsimile number, and marked for the attention of the Committee, as may be notified by the Company to him in writing.
- 13.2 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address, place of work, electronic mail address or facsimile number according to the records of the Company or the last known address, place of work, electronic mail address or facsimile number of the Participant.
- 13.3 Any notice or other communication from a Participant to the Company shall be irrevocable, and shall not be effective until received by the Company. Any other notice or communication from the Company to a

Participant shall be deemed to be received by that Participant, when left at the address specified in Rule 13.2 or, if sent by post, on the day following the date of posting or, if sent by electronic mail or facsimile transmission, on the day of despatch.

14. Modifications to the Plan

- 14.1 Any or all the provisions of the Plan may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:—
- (a) no modification or alteration shall alter adversely the rights attaching to any Option granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters in nominal amount of all the Shares which would fall to be allotted upon exercise in full of all outstanding Options;
 - (b) the definitions of “Associated Company”, “Associated Company Employee”, “Associated Company Executive Director”, “Committee”, “Exercise Period”, “Group Employee”, “Group Executive Director”, “Non-Executive Director”, “Participant” and “Subscription Price” and the provisions of Rules 4, 5.1, 5.3, 5.4, 5.5, 6, 7, 8, 9.1, 9.5, 10, 11, 12 and this Rule 14 shall not be altered to the advantage of Participants except with the prior approval of the Company’s shareholders in general meeting; and
 - (c) no modification or alteration shall be made without the prior approval of the Monetary Authority of Singapore and such other regulatory authorities as may be necessary.
- 14.2 Notwithstanding anything to the contrary contained in Rule 14.1, the Committee may at any time by resolution (and without other formality, save for the prior approval of the Monetary Authority of Singapore) amend or alter the Plan in any way to the extent necessary to cause the Plan to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the Stock Exchange and the Monetary Authority of Singapore).
- 14.3 Written notice of any modification or alteration made in accordance with this Rule 14 shall be given to all Participants.

15. Terms of Employment Unaffected

The terms of employment of a Participant (being a Group Employee or an Associated Company Employee) shall not be affected by his participation in the Plan, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

16. Duration of the Plan

- 16.1 The Plan shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years commencing on the Adoption Date, provided always that the Plan may continue beyond the above stipulated period with the approval of the Company’s shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.
- 16.2 The Plan may be terminated at any time by the Committee or, at the discretion of the Committee, by resolution of the Company in general meeting, subject to all relevant approvals which may be required and if the Plan is so terminated, no further Options shall be offered by the Company hereunder.
- 16.3 The termination of the Plan shall not affect Options which have been granted and accepted as provided in Rule 5.4, whether such Options have been exercised (whether fully or partially) or not.

17. Taxes

All taxes (including income tax) arising from the exercise of any Option granted to any Participant under the Plan shall be borne by that Participant.

18. Costs and Expenses of the Plan

18.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Share pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank.

18.2 Save for the taxes referred to in Rule 17 and such other costs and expenses expressly provided in the Plan to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Plan including but not limited to the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the exercise of any Option shall be borne by the Company.

19. Disclaimer of Liability

Notwithstanding any provisions herein contained, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing the Shares or applying for or procuring the listing of the Shares on the Stock Exchange in accordance with Rule 9.3.

20. Disclosures in Annual Reports

The following disclosures (as applicable) will be made by the Company in its annual report for so long as the Plan continues in operation:—

(a) the names of the members of the Committee administering the Plan;

(b) in respect of the following Participants of the Plan:—

(i) Directors of the Company; and

(ii) Participants (other than those in paragraph (i) above) who have been granted Options under the Plan which, in aggregate, represent five (5) per cent. or more of the total number of new Shares available under the Plan,

the following information:—

(aa) the name of the Participant;

(bb) the following particulars relating to Options granted under the Plan:—

(i) Options granted during the financial year under review (including the terms thereof);

(ii) the aggregate number of Shares comprised in Options granted since the commencement of the 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 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; and
- (c) the number and proportion of Shares comprised in Options granted under the Plan during the financial year under review:—
 - (i) at a discount of 10 per cent. or less of the Market Price in respect of the relevant Option; and
 - (ii) at a discount of more than 10 per cent. of the Market Price in respect of the relevant Option.

21. Disputes

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

22. Governing Law

The Plan shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Options in accordance with the Plan, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

SCHEDULE A
SGX SHARE OPTION PLAN
LETTER OF OFFER

Serial No: _____

Date: _____

To: **[Name]**
[Designation]
[Address]

Private and Confidential

Dear Sir/Madam,

1. We have the pleasure of informing you that, pursuant to the SGX Share Option Plan (the “*Plan*”), you have been nominated to participate in the Plan as a **[insert eligibility of participant]** by the Committee (the “*Committee*”) appointed by the Board of Directors of Singapore Exchange Limited (the “*Company*”) to administer the Plan. Terms as defined in the Plan shall have the same meaning when used in this letter.
2. Accordingly, in consideration of the payment of a sum of \$1.00, an offer is hereby made to grant you an option (the “*Option*”), to subscribe for and be allotted _____ Shares at the price of \$ _____ for each Share (the “*Subscription Price*”). ⁽¹⁾The Subscription Price represents a ⁽²⁾discount/premium of _____ per cent. to the Market Price.
3. ⁽³⁾The Option shall be exercisable at the relevant times, and in respect of that number of Shares specified, as set out in the Vesting Schedule attached to this letter. **[Include additional conditions to be attached to the Option (if any).]**
4. ⁽⁴⁾The last date for the exercise of the Option is _____.
5. The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of by you, in whole or in part, except with the prior approval of the Committee.
6. The Option shall be subject to the terms of the Plan, a copy of which is available for inspection at the registered address of the Company.
7. If you wish to accept the offer of the Option on the terms of this letter, please sign and return the enclosed Acceptance Form with a sum of \$1.00 not later than 5.00 p.m. on _____, failing which this offer will lapse.

Yours faithfully,

Notes:—

- (1) To be inserted only if Subscription Price is discounted from, or is higher than, the Market Price on the Date of Grant.
- (2) Delete accordingly.
- (3) To be inserted only if there is a Vesting Schedule applicable to the Options.
- (4) The last date of the Exercise Period is to be stated in the letter of grant to Non-Executive Directors and Associated Company Employees.

Vesting Schedule
(to be inserted if applicable)

Subject to the Plan and to the terms of the letter of offer dated _____, the Option may normally be exercised, during the Exercise Period, at the following times and in the following manner:—

Vesting Schedule	Percentage of Shares over which an Option is exercisable
On or before the ⁽¹⁾ [first/second] anniversary of the Date of Grant	Nil
[To set out vesting period]	[To set out percentage]
[To set out vesting period]	[To set out percentage]
[To set out vesting period]	[To set out percentage]

In relation to the Option, if the Participant, during any of the periods specified above, exercises that Option for such number of Shares which, in aggregate, represents less than the number of Shares for which the Participant may exercise in respect of such period, the balance of the Shares comprised in that Option for which the Participant could have exercised (but did not exercise) in that period shall be carried forward and added to the number of Shares (but shall not be taken into account in determining the number of Shares) which the Participant may exercise in the next succeeding period or periods.

Note:—

- (1) The Exercise Period will commence after the 1st anniversary of the Date of Grant if the Subscription Price is equal to, or more than, the Market Price on the Date of Grant.

The Exercise Period will commence after the 2nd anniversary of the Date of Grant if the Subscription Price is discounted from the Market Price on the Date of Grant.

SCHEDULE B
SGX SHARE OPTION PLAN
ACCEPTANCE FORM

Serial No: _____

Date: _____

To: The Committee,
SGX Share Option Plan,
20 Cecil Street #26-01/08
Singapore Exchange
Singapore 049705

Eligibility of Participant under the Plan: _____

Closing Date for Acceptance of Offer: _____

Number of Shares Offered: _____

I have read your Letter of Offer dated _____ and agree to be bound by the terms of the Letter of Offer and the Plan referred to therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the Option to subscribe for _____ Shares at \$ _____ for each Share (the “*Subscription Price*”). I enclose cash for \$1.00 in payment for the purchase of the Option/I authorise my employer to deduct the sum of \$1.00 from my salary in payment for the purchase of the Option. [**Note: Automatic deduction will require approval from the Ministry of Manpower**].

I acknowledge that the Option shall be exercisable at the relevant times and in respect of that number of Shares specified, as set out in the Vesting Schedule attached to the Letter of Offer (if any) and on such conditions (if any) applicable to the Option.

I understand that I am not obliged to exercise the Option.

I confirm that my acceptance of the Option will not result in the contravention of any applicable law or regulation in relation to the ownership of shares in the Company or options to subscribe for such shares.

I agree to keep all information pertaining to the grant of the Option to me confidential.

I further acknowledge that you have not made any representation to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.

Please print in block letters

Name in full: _____

Designation: _____

Address: _____

Nationality: _____

NRIC/Passport⁽¹⁾ No.: _____

Signature: _____

Date: _____

Note:—

(1) Delete accordingly

**SCHEDULE C
SGX SHARE OPTION PLAN
FORM OF EXERCISE OF OPTION**

Total number of ordinary shares of \$[] each (the “ <i>Shares</i> ”) offered at \$ for each Share (the “ <i>Subscription Price</i> ”) under the Plan on _____ (Date of Grant): _____
Number of Shares previously allotted thereunder: _____
Outstanding balance of Shares to be allotted thereunder: _____
Number of Shares now to be subscribed: _____

To: The Committee,
SGX Share Option Plan,
20 Cecil Street #26-01/08
Singapore Exchange
Singapore 049705

1. Pursuant to your Letter of Offer dated _____ and my acceptance thereof, I hereby exercise the Option to subscribe for _____ Shares in Singapore Exchange Limited (the “*Company*”) at \$ _____ for each Share.
2. I enclose a ⁽¹⁾cheque/cashier’s order/banker’s draft/postal order no. _____ for \$ _____ by way of subscription for the total number of the said Shares.
3. I agree to subscribe for the said Shares subject to the terms of the Letter of Offer, the SGX Share Option Plan and the Memorandum and Articles of Association of the Company.
4. I declare that I am subscribing for the said Shares for myself and not as a nominee for any other person.
5. I request the Company to allot and issue the Shares in the name of The Central Depository (Pte) Limited (“*CDP*”) for credit of my ⁽¹⁾Securities Account with CDP/Sub-Account with the Depository Agent/CPF investment account with my Agent Bank specified below and I hereby agree to bear such fees or other charges as may be imposed by CDP in respect thereof.

Please print in block letters

Name in full: _____
Designation: _____
Address: _____
Nationality: _____
NRIC/Passport(1) No.: _____
Direct Securities Account No.: _____
OR
Sub-Account No.: _____
Name of Depository Agent: _____
OR
CPF Investment Account No.: _____
Name of Agent Bank: _____
Signature: _____
Date: _____

Note:—
 (1) Delete accordingly

APPENDIX S-D TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

By using these procedures, you represent that you are either (i) not a U.S. person as defined in Regulation S under the U.S. Securities Act of 1933 or (ii) are a qualified institutional buyer as defined in Rule 144A under the U.S. Securities Act of 1933. Please contact the Global Coordinators or the Joint Lead Managers for more information.

Applications are invited for the purchase of the Invitation Shares at the Offering Price subject to the following terms and conditions:

1. Applications for the Offer Shares (other than the Reserved Shares) may be made by way of the Offer Shares Application Forms or by way of Automated Teller Machine (“ATMs”) belonging to the Participating Banks (“ATM Electronic Applications”) or the Internet Banking (“IB”) web-sites of the relevant Participating Banks (“Internet Electronic Applications” and together with ATM Electronic Applications, “Electronic Applications”). Applications for Placement Shares may only be made by way of the Placement Shares Application Forms, and applications for Reserved Shares may only be made by way of the Reserved Shares Application Forms. **Applicants may use their CPF Funds (as defined below) to apply for the Invitation Shares.**

2. **Only one application may be made for the benefit of one person for either the Offer Shares (other than the Reserved Shares) or the Placement Shares in his own name. A person submitting an application for the Offer Shares (other than the Reserved Shares) by way of the Offer Shares Application Form may not submit another application by way of Electronic Application and vice versa. Such separate applications will be deemed to be multiple applications and shall be rejected.**

A person, other than an approved nominee company, who is submitting an application in his own name should not submit any other applications, whether on a printed Application Form or through an Electronic Application, for any other person. Such separate applications will be deemed to be multiple applications and shall be rejected.

An applicant who has agreed to purchase Placement Shares shall not make any separate application for Offer Shares (other than Reserved Shares) either by way of the Offer Shares Application Form or through an Electronic Application. Such separate applications will be deemed to be multiple applications and shall be rejected.

Conversely, an applicant who has made an application for Offer Shares (other than Reserved Shares) either by way of the Offer Shares Application Form or through an Electronic Application shall not make any separate application for the Placement Shares. Such separate applications will be deemed to be multiple applications and shall be rejected.

Joint or multiple applications will be rejected. Persons submitting or procuring submissions of multiple share applications (whether for Offer Shares, Placement Shares or both Offer Shares and Placement Shares) may be deemed to have committed an offence under the Penal Code (Chapter 224) of Singapore and the Securities Industry Act (Chapter 289) of Singapore and such applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications will be liable to be rejected at the discretion of SEL Holdings.

An applicant making an application for the Reserved Shares using the Reserved Shares Application Form may submit one separate application for Offer Shares (other than Reserved Shares) in his own name either by way of the Offer Shares Application Form or through an Electronic Application or submit one separate application for Placement Shares, provided he adheres to the terms and conditions of this prospectus. Such separate applications will not be treated as multiple applications.

3. Applications will not be accepted from any person under the age of 21, undischarged bankrupts, sole proprietorships, partnerships, chops or non-corporate bodies, joint Securities Account holders and applicants whose addresses (furnished in their printed Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks, as the case may be) bear post office box numbers.

4. The existence of a trust will not be recognised. Any application by a trustee or trustees must be made in his/their own name(s) and without qualification or, where the application is made by way of a printed Application Form, in the name(s) of approved nominee companies after complying with paragraph 5 below.
5. **Nominee applications may be made by approved nominee companies only.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies will be rejected.
6. **For non-nominee applications, each applicant must maintain a Securities Account with CDP in his own name at the time of application.** An applicant without an existing Securities Account with CDP in his own name at the time of application will have his application rejected (in the case of an application by way of an Application Form) or will not be able to complete his Electronic Application (in the case of an Electronic Application). An applicant with an existing Securities Account with CDP who fails to provide his Securities Account number or who provides an incorrect Securities Account number in section B of the Application Form or in his Electronic Application, as the case may be, is liable to have his application rejected. Subject to paragraph 7 below, an application may be rejected if the applicant's particulars such as his name, NRIC or passport number, nationality and permanent residence status provided in his Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank at the time of his Electronic Application, as the case may be, differ from those particulars in his Securities Account as maintained with CDP. If the applicant possesses more than one individual direct Securities Account with CDP, his application will be rejected.
7. **If the address of an applicant stated on the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, the applicant must inform CDP of his updated address promptly, failing which the notification letter on successful allocation and other correspondence with CDP will be sent to his address last registered with CDP.**
8. SEL Holdings reserves the right to reject or accept, in whole or in part, or to scale down or ballot, any application without assigning any reason therefor, and no enquiry and/or correspondence on the decision of SEL Holdings will be entertained. This right applies to applications made by way of printed Application Forms and by way of Electronic Applications. In deciding the basis of allocation, at the discretion of SEL Holdings, due consideration will be given to the desirability of allocating the Invitation Shares to a reasonable number of successful applicants with a view to establishing an adequate market for our shares.
9. SEL Holdings reserves the right to reject any application which does not conform strictly to the instructions set out in the Application Forms and this prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this prospectus or, in the case of applications by way of printed Application Forms, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn up or improper form of remittance. SEL Holdings further reserves the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the terms and conditions of this prospectus, the instructions set out in the Application Forms and this prospectus or the instructions for Electronic Applications and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.
10. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to each successful applicant at his own risk, within 15 Market Days after the close of the Application List, a statement showing that his Securities Account has been credited with the number of Invitation Shares allotted to him. This will be the only acknowledgement of application moneys received and is not an acknowledgement by SEL Holdings. Each applicant irrevocably authorises CDP to complete and sign on his behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the Invitation Shares allocated to the applicant. This authorisation applies for applications made by way of printed Application Forms and by way of Electronic Applications.

11. By completing and delivering an Application Form and, in the case of an ATM Electronic Application, by pressing the “Enter” or “OK” or “Confirm” or “Yes” key or any other relevant key on the ATM or in the case of an Internet Electronic Application, by clicking “Submit” or “Continue” or “Yes” or “Confirm” or any other button on the IB website screen in accordance with the provisions herein, each applicant:
 - (a) irrevocably offers to purchase the number of Invitation Shares specified in his application (or such smaller number for which the application is accepted) at the Offering Price for each Invitation Share and agrees that he will accept such Shares as may be allocated to him, in each case on the terms of, and subject to the conditions set out in, this prospectus and the Memorandum and Articles of Association of the Company; and
 - (b) warrants the truth and accuracy of the information in his application.
12. Applications must be made in lots of 1,000 Invitation Shares or higher integral multiples of 1,000 Invitation Shares. Applications for any other number of Invitation Shares will be rejected.
13. No Invitation Shares will be allocated on the basis of this prospectus later than six months after the date of this prospectus.
14. In the event that any of the Offer Shares (including the Reserved Shares) are not taken up as at the close of the Application List, that number of Offer Shares not taken up shall be made available to satisfy excess applications for the Placement Shares to the extent there are excess applications for the Placement Shares as at the close of the Application List. Any of the Reserved Shares not taken up will be made available to satisfy applications for the Offer Shares (other than Reserved Shares) to the extent that there are excess applications for the Offer Shares (other than Reserved Shares). In the event that any of the Placement Shares are not taken up as at the close of the Application List, that number of Placement Shares not taken up shall be made available to satisfy applications for the Offer Shares to the extent that there are excess applications for the Offer Shares as at the close of the Application List.
15. In the event that there are excess applications for the Offer Shares as at the close of the Application List and/or the number of Placement Shares have been fully satisfied or there are excess applications for them as at the close of the Application List, the successful applications for the Offer Shares shall be determined by ballot, or otherwise as determined by SEL Holdings and approved by the Monetary Authority of Singapore.
16. Acceptance of applications will be conditional upon SEL Holdings being satisfied that:
 - (a) permission has been granted by the Monetary Authority of Singapore to deal in, and for quotation of, all our Shares on a “when issued” basis on the Official List of the SGX-ST; and
 - (b) the Retail Offer Agreement and the Institutional Placement Agreement referred to on pages S-18 and S-19 of this prospectus have become unconditional and have not been terminated.
17. Additional terms and conditions for applications by way of printed Application Forms are set out on pages S-46 to S-49 of this prospectus.
18. Additional terms and conditions for Electronic Applications are set out on pages S-50 to S-56 of this prospectus.
19. Each applicant irrevocably authorises CDP to disclose the outcome of his application, including the number of Invitation Shares allocated to the applicant pursuant to his application, to authorised operators.
20. Any reference to the “applicant” in this section shall include a person applying for the Offer Shares by way of an Electronic Application or by way of the printed Offer Shares Application Form and a person applying for the Placement Shares through the Global Coordinators, and a person applying for the Reserved Shares by way of a Reserved Shares Application Form.
21. Terms and conditions governing the use of CPF Funds are set out on page S-57 of this prospectus.
22. No application will be held in reserve.

**APPENDIX S-E ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS
USING PRINTED APPLICATION FORMS**

By using these procedures, you represent that you are either (i) not a U.S. person as defined in Regulation S under the U.S. Securities Act of 1933 or (ii) a qualified institutional buyer as defined in Rule 144A under the U.S. Securities Act of 1933. Please contact the Global Coordinators or the Joint Lead Managers for more information.

Applications by way of printed Application Forms shall be made on, and subject to, the terms and conditions of this prospectus, including but not limited to the terms and conditions appearing below and those set out under the section on “Terms and Conditions and Procedures for Application” found on pages S-43 to S-45 of this prospectus, as well as the Memorandum and Articles of Association of the Company.

1. Applications for the Offer Shares (other than the Reserved Shares) must be made using the WHITE Application Forms and official envelopes “A” and “B” and applications for the Placement Shares must be made using the BLUE Application Forms, accompanying and forming part of this prospectus. Care must be taken to follow the instructions set out in the respective Application Forms and this prospectus for the completion of the respective Application Forms. Applications which do not conform strictly to these instructions or to the terms and conditions of this prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances may be rejected.
2. The Application Forms must be completed in English. Please type or write clearly in ink using BLOCK LETTERS. All spaces in an Application Form, except those under the heading “FOR OFFICIAL USE ONLY”, must be completed and the words “NOT APPLICABLE” or “N.A.” should be written in any space that is not applicable.
3. Individuals, corporations, approved nominee companies and trustees must give their names in full. Applications must be made, in the case of individuals, in their full names as appearing in their identity cards (if applicants have such identification documents) or passports and, in the case of corporations, in their full names as registered with a competent authority. Applicants, other than individuals, completing the Application Form under the hand of an official, must state the name and capacity in which that official signs. A corporation completing an Application Form is required to affix its Common Seal (if any) in accordance with its Memorandum and Articles of Association or the equivalent constitutive documents of the corporation. If an application by a corporate applicant is successful, a copy of its Memorandum and Articles of Association or its equivalent constitutive documents must be lodged with the Company’s Share Registrar. SEL Holdings reserves the right to require any applicant to produce documentary proof of identification for verification purposes.
- 4.(a) All applicants must complete Sections A and B and sign page 1 of the Application Form.
 - (b) All applicants using only cash or cash and CPF Funds to pay for the Invitation Shares are required to delete either paragraphs 6(c) or 6(d) on page 1 of the Application Form. Where paragraph 6(c) is deleted, the applicant must also complete Section C of the Application Form with particulars of the beneficial owner(s).
 - (c) Applicants who apply for the Invitation Shares using cash or cash and CPF Funds and fail to make the required declaration in paragraph 6(c) or 6(d), as the case may be, on page 1 of the Application Form are liable to have their applications rejected.
5. Individual applicants and corporate applicants will be required to declare whether they are citizens or permanent residents of Singapore or corporations, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate constituted by any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporations. Approved nominee companies are required to declare whether the beneficial owner of the Invitation Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate constituted by any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation.

6. **Approval has been obtained from the Central Provident Fund Board (“CPF Board”) for applicants to use the funds in their Central Provident Fund (“CPF”) accounts (“CPF Funds”) pursuant to the CPF (Investment Schemes) Regulations, as amended, for the purchase of the Invitation Shares.** Applicants who wish to use CPF Funds to apply for the Invitation Shares do not need to instruct the CPF Board to transfer CPF Funds from their CPF Ordinary Accounts to their CPF Investment Accounts.
7. The Invitation Shares may be applied for in the following manner:
 - (a) **Cash**—Applicants may apply for the Invitation Shares using only cash. Each applicant must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Invitation Shares applied for, in the form of a BANKER’S DRAFT, CASHIER’S ORDER or POSB CASHIER’S ORDER drawn on a bank in Singapore, made out in favour of “SGX Share Issue Account” crossed “A/C PAYEE ONLY”, or in the form of a DBS AUTOBANK CASHIER’S ORDER EQUIVALENT, with the name and address of the applicant written clearly on the reverse side. Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted. Remittances bearing “Not Transferable” or “Non Transferable” crossings will be rejected.
 - (b) **CPF Funds**—Applicants may apply for the Invitation Shares using only CPF Funds. Each application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Invitation Shares applied for, in the form of a CPF CASHIER’S ORDER (available for purchase at the CPF approved bank with which the applicant maintains his CPF Investment Account), made out in favour of “SGX Share Issue Account” with the name and address of the applicant written clearly on the reverse side. Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted. For the terms and conditions governing the use of CPF Funds, please refer to page S-57 of this prospectus.
 - (c) **Cash and CPF Funds**—Applicants may apply for the Invitations Shares using a combination of cash and CPF Funds, provided that the number of Invitation Shares applied for under each payment method is in lots of 1,000 Invitation Shares or higher multiples thereof. Such applications must comply with the requirements for applications by cash and by CPF Funds as set out in the preceding paragraphs. In the event that such applications are accepted in part only, the cash portion of the application moneys will be used in respect of the applications before the CPF Funds are used.

An applicant applying for only 1,000 Invitation Shares can use either cash or CPF Funds, but not a combination of cash and CPF Funds.

No acknowledgement of receipt will be issued for applications or application moneys received.

8. It is expected that unsuccessful applications and those not successfully balloted or accepted will be returned to the applicants by ordinary post, at the risk of the applicants, within three Market Days after the close of the Application List, without interest or any share of revenue or other benefit arising therefrom. Where an application is rejected or accepted in part only, the full amount or the balance of the application moneys, as the case may be, will be refunded to the applicant by ordinary post at his own risk (without interest or any share of revenue or other benefit arising therefrom) within 14 days after the close of the Application List provided that the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application moneys received in the designated share issue account. Unsuccessful applicants using DBS Autobank Cashier’s Order Equivalent will have the full amount of their application moneys (without interest or any share of revenue or other benefit arising therefrom) automatically credited to their accounts maintained with DBS Bank.
9. Capitalised terms used in the Application Forms and defined in this prospectus shall bear the meanings assigned to them in this prospectus.

10. In consideration of SEL Holdings having distributed the Application Form to the applicant and agreeing to close the Application List at noon on November 21, 2000 or such later time or date as SEL Holdings may, in their absolute discretion, decide and by completing and delivering the Application Form, each applicant agrees that:
- (a) his application is irrevocable;
 - (b) his remittance will be honoured on first presentation and that any moneys returnable may be held pending clearance of his payment and he will not be entitled to any interest or any share of revenue or other benefit arising therefrom;
 - (c) in respect of the Invitation Shares for which his application has been received and not rejected, acceptance of his application shall be constituted by written notification by or on behalf of SEL Holdings and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of SEL Holdings;
 - (d) he will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of his application;
 - (e) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that he irrevocably submits to the non-exclusive jurisdiction of the Singapore courts;
 - (f) reliance is placed solely on information contained in this prospectus and that none of the Company, SEL Holdings, the Global Coordinators, the Underwriters, the Strategic Private Placement Agent or any other person involved in the Invitation shall have any liability for any information not so contained.

APPLICATIONS FOR OFFER SHARES (OTHER THAN RESERVED SHARES)

- 11.(a) Applications for Offer Shares (other than Reserved Shares) must be made using the WHITE Offer Shares Application Forms and BLUE official envelopes "A" and "B".
- (b) The applicant must:
- (i) enclose the WHITE Offer Shares Application Form, duly completed and executed, together with the correct remittance in accordance with the terms and conditions of this prospectus in the BLUE envelope "A" which is provided;
 - (ii) in the appropriate spaces on the BLUE official envelope "A":
 - (A) write his name and address;
 - (B) state the number of Offer Shares (other than Reserved Shares) applied for;
 - (C) tick the appropriate box(es) depending on whether cash payment is by Banker's Draft/Cashier's Order or DBS Autobank Cashier's Order Equivalent and/or CPF Cashier's Order; and
 - (D) affix adequate Singapore postage;
 - (iii) SEAL OFFICIAL BLUE ENVELOPE "A";
 - (iv) write, in the special box provided on the larger official BLUE envelope "B" addressed to DBS BANK, 6 SHENTON WAY, DBS BUILDING TOWER ONE, SINGAPORE 068809, the number of Offer Shares (other than Reserved Shares) for which the application is made; and

- (v) insert BLUE official envelope “A” into BLUE official envelope “B”, seal BLUE official envelope “B”, affix adequate Singapore postage on envelope “B” (if despatching by ordinary post) and thereafter DESPATCH BY ORDINARY POST OR DELIVER BY HAND at his own risk to DBS BANK, 6 SHENTON WAY, DBS BUILDING TOWER ONE, SINGAPORE 068809, so as to arrive by noon on November 21, 2000 or such later time or date as SEL Holdings may decide. Local Urgent Mail or Registered Post must NOT be used.

Applications that are illegible, incomplete or incorrectly completed or accompanied by an improperly drawn remittance are liable to be rejected.

- (c) ONLY ONE APPLICATION should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

APPLICATIONS FOR PLACEMENT SHARES

12.(a) Applications for Placement Shares must be made using the BLUE Application Forms.

- (b) The completed BLUE Placement Shares Application Form and the applicant’s remittance in accordance with the terms and conditions of this prospectus for the full amount payable in respect of the number of Placement Shares applied for must be delivered by hand or despatched by ordinary post enclosed and sealed in any envelope to be provided by the applicant. The applicant must affix adequate postage (if despatching by ordinary post) and thereafter the sealed envelope must be despatched by ORDINARY POST OR DELIVERED BY HAND at the applicant’s own risk to **DBS Bank, 6 Shenton Way #28-00, DBS Building Tower One, Singapore 068809**, for the attention of Equity Capital Markets, to arrive by noon on November 21, 2000 or such later time or date as SEL Holdings may decide. Local Urgent Mail or Registered Post must NOT be used.
- (c) ONLY ONE APPLICATION should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.
- (d) Alternatively, the applicant may remit his application moneys by electronic transfer to the account of **DBS Bank, Shenton Way Branch, Current Account No. 001-074062-8, in favour of “SGX Share Issue Account”** for the number of Placement Shares applied for by noon on November 21, 2000. Applicants who remit their application moneys via electronic transfer should send a copy of the telegraphic transfer advice slip to **DBS Bank, 6 Shenton Way #28-00, DBS Building Tower One, Singapore 068809**, for the attention of Equity Capital Markets, to arrive by noon on November 21, 2000 or such later time or date as SEL Holdings may decide.

APPLICATIONS FOR RESERVED SHARES

13.(a) Applications for Reserved Shares must be made using the PINK Application Forms.

- (b) The completed Reserved Shares Application Form and the applicant’s remittance in accordance with the terms and conditions of this prospectus for the full amount payable in respect of the number of Reserved Shares applied for must be enclosed and sealed in an envelope to be provided by the applicant. The applicant must affix adequate postage (if despatching by ordinary post) and thereafter the sealed envelope must be despatched by ORDINARY POST OR DELIVERED BY HAND at the applicant’s own risk to the Company’s registered office, so as to arrive by noon on November 21, 2000 or such later time or date as SEL Holdings may decide. Local Urgent Mail or Registered Post must NOT be used.
- (c) ONLY ONE APPLICATION should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

APPENDIX S-F ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

You may not use these procedures if you are a U.S. person as defined in Regulation S under the U.S. Securities Act of 1933. Please contact the Global Coordinators or the Joint Lead Managers for more information. By using these procedures, you represent that you are not a U.S. person as defined in Regulation S under the U.S. Securities Act of 1933.

The procedures for Electronic Applications are set out on the ATM screens (in the case of ATM Electronic Applications) and the IB web-site screens (in the case of Internet Electronic Applications) of the relevant Participating Banks (the “Steps”). Currently, DBS Bank, OUB and UOB are the only Participating Banks through which the Internet Electronic Applications may be made. For illustration purposes, the procedures for Electronic Applications through ATMs and the IB web-site of DBS Bank are set out in the “Steps for ATM Electronic Applications through ATMs of DBS Bank (including its POSBank Services Division)” and the “Steps for Internet Electronic Applications through the IB web-site of DBS Bank” appearing on pages S-55 and S-56 of this prospectus. Please read carefully the terms of this prospectus, the Steps and the terms and conditions for Electronic Applications set out below carefully before making an Electronic Application. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks.

Any reference to the “Applicant” in these Terms and Conditions for Electronic Applications and the Steps shall mean the applicant who applies for the Offer Shares through an ATM of a Participating Bank or the IB web-sites. No application for any Reserved Shares may be made using Electronic Applications. Accordingly, any reference to “Offer Shares” in these Terms and Conditions for Electronic Applications shall be deemed to exclude Reserved Shares.

For an ATM Electronic Application an Applicant must have an existing bank account with, and be an ATM cardholder of, one of the Participating Banks before he can make an ATM Electronic Application at the ATMs of that Participating Bank. An Applicant must, in addition, maintain a CPF Investment Account with that Participating Bank before he can make an ATM Electronic Application using CPF Funds at such ATM of that Participating Bank. For an Internet Electronic Application, the Applicant must have a bank account with and a User Identification (“User ID”) and a Personal Identification Number (“PIN”) given by the relevant Participating Banks.

The Steps set out the actions that the Applicant must take at ATMs or the IB web-site of DBS Bank to complete an Electronic Application. The actions that the Applicant must take at the ATMs or the IB websites of the other Participating Banks are set out on the ATM screens or the IB website screens of the relevant Participating Banks. Upon the completion of his ATM Electronic Application transaction, the Applicant will receive an ATM transaction slip (“Transaction Record”), confirming the details of his ATM Electronic Application. The Transaction Record is for the Applicant’s retention and should not be submitted with any printed Application Form. Upon completion of his Internet Electronic Application through the IB web-site of DBS Bank, there will be an on-screen confirmation (“Confirmation Screen”) of the application which can be printed out by the Applicant for his record. This printed record of the Confirmation Screen is for the Applicant’s retention and should not be submitted with any printed Application Form.

An Applicant must ensure that he enters his own Securities Account number when using the ATM card issued to him in his own name. Using his own Securities Account number with an ATM card not issued to him in his own name will render his application liable to be rejected. An Applicant, including one who has a joint bank account with a Participating Bank, must use an ATM card issued to him in his own name and must enter his own Securities Account number. Using his own Securities Account number with an ATM card which is not issued to him in his own name will render his application liable to be rejected.

An Applicant making an Internet Electronic Application must ensure and declare that the application is made in Singapore otherwise his application is liable to be rejected.

An Electronic Application shall be made in accordance with, and subject to, the terms and conditions of this prospectus including but not limited to the terms and conditions appearing below as well as those set out under the section on “Terms and Conditions and Procedures for Application” found on pages S-43 to S-45 of this prospectus, as well as the Memorandum and Articles of Association of the Company.

1. In connection with his Electronic Application for the Offer Shares, the Applicant is required to confirm statements to the following effect in the course of activating the Electronic Application:
 - (a) **that he has received a copy of this prospectus and has read, understood and agreed to all the terms and conditions of application for the Offer Shares and this prospectus prior to effecting the Electronic Application and agrees to be bound by the same;**
 - (b) **that he consents to the disclosure of his name, NRIC or passport number, address, nationality and permanent residence status, CDP Securities Account number, CPF Investment Account number (if applicable) and share application amount (the “Relevant Particulars”) from his account with that Participating Bank to the Share Registrars, SCCS, CDP, CPF, the Company, SEL Holdings and the Lead Managers (the “Relevant Parties”); and**
 - (c) **that this application is his only application for the Offer Shares and it is made in his name and at his own risk.**

His application will not be successfully completed and cannot be recorded as a completed transaction unless he presses the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key in the ATM or clicks “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the Internet screen. By doing so, the Applicant shall be treated as signifying his confirmation of each of the above three statements. In respect of statement 1(b) above, his confirmation, by pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key or by clicking “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button, shall signify and shall be treated as his written permission, given in accordance with the relevant laws of Singapore, including Section 47(4) of the Banking Act (Chapter 19) of Singapore, to the disclosure by that Participating Bank of the Relevant Particulars of his account(s) with that Participating Bank to the Relevant Parties.

2. An Applicant may make an ATM Electronic Application at an ATM of any Participating Bank or an Internet Electronic Application at the IB web-sites of the relevant Participating Banks for the Offer Shares using cash only by authorising such Participating Bank to deduct the full amount payable from his account with such Participating Bank.
3. The Applicant irrevocably agrees and undertakes to purchase and to accept the number of Offer Shares applied for as stated on the Transaction Record or on the Confirmation Screen or any lesser number of Offer Shares that may be allocated to him in respect of his Electronic Application. In the event that SEL Holdings decides to allocate any fewer number of such Offer Shares or not to allocate any Offer Shares to the Applicant, the Applicant agrees to accept the decision as final. If the Applicant’s Electronic Application is successful, his confirmation (by his action of pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM or clicking “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the Internet screen) of the number of Offer Shares applied for shall signify and shall be treated as his acceptance of the number of Offer Shares that may be allocated to him and his agreement to be bound by the Memorandum and Articles of Association of the Company.
4. The Applicant irrevocably requests and authorises SEL Holdings to:
 - (a) register the Offer Shares allocated to him in the name of CDP for deposit into his Securities Account;
 - (b) send the relevant share certificate(s) to CDP;
 - (c) return (without interest or any share of revenue or other benefit arising therefrom) the application moneys, should his Electronic Application not be accepted, by automatically crediting the Applicant’s bank account with his Participating Bank with the relevant amount within three Market Days after the close of the Application List; and

(d) return (without interest or any share of revenue or other benefit arising therefrom) the balance of the application moneys, should his Electronic Application be accepted in part only, by automatically crediting the Applicant's bank account with his Participating Bank with the relevant amount within 14 days after the close of the Application List.

5. **By making an Electronic Application, the Applicant confirms that he is not applying for the Offer Shares as nominee of any other person and that any Electronic Application that he makes is the only application made by him as beneficial owner.**

The Applicant shall make only one Electronic Application and shall not make any other application for the Offer Shares (other than the Reserved Shares), whether at the ATMs of any Participating Bank or the IB web-sites of the relevant Participating Banks or on the prescribed printed Application Forms.

6. The Applicant irrevocably agrees and acknowledges that his Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the relevant Participating Bank, the Company, SEL Holdings and the Joint Lead Managers and if, in any such event, the Participating Banks and/or the Company and/or SEL Holdings and/or the Joint Lead Managers do not record or receive the Applicant's Electronic Application, or data relating to the Applicant's Electronic Application or the tape or any other devices containing such data is lost, corrupted, destroyed or not otherwise accessible, whether wholly or partially for whatever reason, the Applicant shall be deemed not to have made an Electronic Application and the Applicant shall have no claim whatsoever against the relevant Participating Bank, the Company, SEL Holdings or the Joint Lead Managers for the Offer Shares applied for or for any compensation, loss or damage.
7. **Approval has been obtained from the CPF Board for applicants to use their CPF Funds pursuant to the CPF (Investment Scheme) Regulations, as amended, for the purchase of the Offer Shares through ATM Electronic Applications.** Applicants who wish to use CPF Funds to apply for the Offer Shares do not need to instruct the CPF Board to transfer CPF Funds from their CPF Ordinary Accounts to their CPF Investment Accounts.
8. The Invitation Shares may be applied for in the following manner:
- (a) **Cash**—Applicants may apply for the Invitation Shares through any ATMs or IB web-site of his Participating Bank using only cash by authorising his Participating Bank to deduct the full amount payable from his bank account(s) with such Participating Bank.
 - (b) **CPF Funds**—Applicants may apply for the Invitation Shares through any ATM of his Participating Bank using only CPF Funds by authorising his Participating Bank to deduct the full amount payable from his CPF Investment Account with such Participating Bank. For the terms and conditions governing the use of CPF Funds, please refer to page S-57 of this prospectus.
 - (c) **Cash and CPF Funds**—Applicants may also make an Electronic Application for the Invitation Shares using a combination of cash and CPF Funds, provided that the number of Invitation Shares applied for under each payment method is in lots of 1,000 Invitation Shares or higher multiples thereof. Such applications must comply with the requirements for applications by cash and by CPF Funds as set out in the preceding paragraphs. In the event that such applications are accepted in part only, the cash portion of the application moneys will be used in respect of the applications before the CPF Funds are used.

An Applicant applying for only 1,000 Invitation Shares can use either cash or CPF Funds, but not a combination of cash and CPF Funds.

9. Electronic Applications shall close at noon on November 21, 2000 or such other time as SEL Holdings may decide. All Internet Electronic Applications must be received by noon on November 21, 2000. An Internet Electronic Application is deemed to be received when it enters the designated information system of the relevant Participating Bank.
10. All particulars of the Applicant in the records of his Participating Bank at the time he makes his Electronic Application shall be deemed to be true and correct and the relevant Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in the particulars of the Applicant after the time of the making of his Electronic Application, the Applicant shall promptly notify his Participating Bank.
11. The Applicant must have sufficient funds in his bank account(s) with his Participating Bank at the time he makes his Electronic Application, failing which his Electronic Application will not be completed or accepted. Any Electronic Application made at the ATMs of the other Participating Banks or the IB web-sites of the relevant Participating Bank which does not strictly conform to the instructions set out on the screens of the ATM or IB web-sites of such Participating Banks will be rejected.
12. **No reserve application will be kept.** Where an Electronic Application is not accepted, it is expected that the full amount of the application moneys will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the Applicant by being automatically credited to the Applicant's account with the relevant Participating Bank within three Market Days of the close of the Application List. Trading on a "when issued" basis, if applicable, is expected to commence after such refund has been made. Where an Electronic Application is rejected or accepted in part only, the full amount or the balance of the application moneys will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the Applicant by being automatically credited to the Applicant's account with his Participating Bank within 14 days after the close of the Application List.

The responsibility for timely refund of application moneys arising from unsuccessful or partially successful Electronic Application lies solely with the respective Participating Banks. Therefore, Applicants are strongly advised to consult their respective Participating Banks regarding the status of their Electronic Applications and/or refund of application moneys to them arising from their unsuccessful or partially successful Electronic Applications, to determine the exact number of Invitation Shares, if any, which have been allotted to them. Neither the SGX-ST, CDP, SCCS, the Participating Banks, the Company nor the Joint Lead Managers assumes any responsibility for any loss which may be incurred as a result of Applicants having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

If the Applicant's ATM Electronic Application is made through the ATMs of KTB or UOB Group and is unsuccessful, it is expected that a computer-generated notice will be sent to the Applicant by the relevant Participating Bank (at the address of the Applicant as stated in the records of the relevant Participating Bank at the date of his ATM Electronic Application) by ordinary post at the Applicant's own risk within three Market Days after the close of the Application List. If the applicant's ATM Electronic Application is made through the ATMs of OCBC, OUB Group or DBS Bank (including its POSBank Services division) and is unsuccessful, no notification will be sent by the relevant Participating Bank.

If the Applicant's Internet Electronic Application made through the IB web-site of UOB, OUB or DBS Bank is unsuccessful, no notification will be sent by such Participating Bank.

Applicants who make ATM Electronic Applications through the ATMs of the following Participating Banks may check the provisional results of their Electronic Applications as follows:

<u>Bank</u>	<u>Telephone /Website</u>	<u>Available at ATM/Internet</u>	<u>Operating Hours</u>	<u>Service expected from</u>
DBS Bank . .	1800-222 2222 327 4767	Internet Banking or Internet Kiosk www.dbs.com*	24 hours a day	7.00 pm on the balloting day
KTB	222 8228	ATM	ATM: 24 hours a day Phone Banking: Mon-Fri: 0800- 2200 Sat: 0800- 1500	ATM: Evening of the Balloting day Phone Banking: 8.00 a.m. on the day after the balloting day
OCBC	1800363 3333	ATM	ATM: 24 hours a day Phone Banking: 24 hours a day	Evening of the balloting day
OUB	1800-224 2000 www.oub2000.com.sg*	OUB Personal Internet Banking www.oub2000.com.sg OUB Mobile Buzz	Phone Banking/ Internet Banking: 24 hours a day OUB Mobile Buzz† 24 hours a day	Evening of the balloting day 24 hours a day
UOB	1800-533 5533 1800-222 2121	ATM (Other Transactions —“IPO Enquiry”) www.uobcyberbank.com.sg‡	Phone Banking***/ ATM: 24 hours	6.00 pm on the balloting day

* Applicants who have made Internet Electronic Applications through the Internet Banking web-site of DBS or OUB may also check the results of their applications through the same channels listed in the table above in relation to ATM Electronic Applications made at ATMs of DBS Bank or OUB.

† Applicants who make Electronic Applications through the ATMs or IB web-site of OUB and who have activated their OUB Mobile Buzz service will be notified of the results of their Electronic Applications via their mobile phones.

‡ Applicants who make Electronic Applications through the ATMs or IB website of UOB may check the results of their application through UOB CyberBank, UOB Group’s ATMs or UOB Phone Banking services.

Applicants who make Internet Electronic Applications through DBS IB web-site may also check the result through the DBS IB web-site.

13. By making and completing an Electronic Application, the Applicant agrees that:

(a) in consideration of SEL Holdings making available the Electronic Application facility, through the ATMs of the Participating Banks and at the IB web-sites of the relevant Participating Banks:

(i) his Electronic Application is irrevocable; and

- (ii) his Electronic Application, the acceptance of his Electronic Application by SEL Holdings and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and he irrevocably submits to the non-exclusive jurisdiction of the Singapore courts;
 - (b) none of the Company, SEL Holdings, the Joint Lead Managers or the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to his Electronic Application to SEL Holdings or CDP due to a breakdown or failure of transmission, delivery or communication facilities or any risks referred to in paragraph six on page S-52 of this prospectus or to any cause beyond their respective controls;
 - (c) he will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of his application;
 - (d) in respect of the Offer Shares for which his Electronic Application has been successfully completed and not rejected, acceptance of the Applicant's Electronic Application shall be constituted by written notification by or on behalf of SEL Holdings and not otherwise, notwithstanding any payment received by or on behalf of SEL Holdings; and
 - (e) reliance is placed solely on information contained in this prospectus and that none of the Company, SEL Holdings, the Global Coordinators, the Underwriters, the Strategic Private Placement Agent or any other person involved in the Invitation shall have any liability for any information not so contained.
14. The Applicant should ensure that his personal particulars as recorded by both CDP and the relevant Participating Banks are correct and identical. Otherwise his Electronic Application may be rejected. The Applicant should promptly inform CDP of any change in his address, failing which the notification letter on successful allotment will be sent to his address last registered with CDP.
15. The existence of a trust will not be recognised. Any electronic application by a trustee or trustees must be made in his/their own name(s) and without qualification. SEL Holdings will reject any application by any person acting as nominee.

Steps for ATM Electronic Applications through ATMs of DBS Bank (including its POSBank Services division)

Instructions for ATM Electronic Applications will appear on the ATM screens of the Participating Banks. For illustrative purposes, the steps for making an ATM Electronic Application through a DBS Bank or POSBank ATM are shown below. Certain words appearing on the screen are in abbreviated form (“A/C”, “amt”, “appln”, “&”, “I/C” and “No.” refer to “Account”, “amount”, “application”, “and”, “NRIC” and “Number” respectively). Instructions for ATM Electronic Applications on the ATM screens of Participating Banks (other than DBS Bank (including its POSBank Services division)) may differ slightly from those represented below.

- Step 1: Insert your personal DBS or POSBank ATM Card.
- 2: Enter your Personal Identification Number
 - 3: Select “CASHCARD & MORE SERVICES”
 - 4: Select “ESA-IPO SHARE/BOND/RIGHTS”
 - 5: Select “ELECTRONIC SECURITY APPLN (IPO-SHARE/BOND)” to “SGX”
 - 6: Press the “ENTER” key to acknowledge:-

—**You have read, understood & agreed to all terms of the appln & the Prospectus**

—**You consent to disclose your name, I/C No., address, nationality, CDP Securities A/c No., CPF Investment A/c No. & share appln amount from your Bank Account(s) to share registrars, SCCS, CDP, CPF, issuer/vendor(s)**

—For **FIXED** price share appln, this is your only appln and it is made in your own name and at your own risk

—You are not a US Person as referred to in the Prospectus/Document where applicable

- 7: Select your nationality
- 8: Select the DBS Bank account (Autosave/Current/Savings/Savings Plus) or the POSBank account (current/savings) from which to debit your application moneys
- 9: Enter the number of securities you wish to apply for using cash
- 10: Enter your own 12-digit CDP Securities Account number (Note: This step will be omitted automatically if your CDP Securities Account number has already been stored in the Bank's records).
- 11: Check the details of your share application, CDP Securities Account number on the screen and press the "ENTER" key to confirm application
- 12: Remove the Transaction Record for your reference and retention only

Steps for Internet Electronic Application through the IB web-site of DBS Bank

For illustrative purposes, the steps for making an Internet Electronic Application through the DBS Bank IB web-site is shown below. Certain words appearing on the screen are in abbreviated form ("A/C", "amt", "&", "I/C" and "No." refer to "Account", "Amount", "and", "NRIC" and "Number" respectively),

- Step 1: Click on to DBS Bank web-site (www.dbs.com)
- 2: Login to Internet banking
- 3: Enter your User ID and PIN
- 4: Select "Electronic Security Application"
- 5: Click "Yes" to proceed and to warrant that you have observed and complied with all applicable laws and regulations
- 6: Click on "SGX" and click the "Submit" button.
- 7: Select country of residence and click "Confirm" to proceed.
- 8: Click "Confirm" to confirm:—
 - (a) You have read, understood & agreed to all terms of application and Prospectus
 - (b) You consent to disclose your name, No., address, nationality, CDP Securities A/C No., CPF Investment A/C No. & share application amount from your DBS/POSBank Account(s) to share registrars, SCCS, CDP, CPF Board and issuer(s)
 - (c) This application is made in your own name and at your own risk
 - (d) For **FIXED** price share application, this is your only application. For **TENDER** price securities application, this is your only application at the selected tender price.
 - (e) You are not a US Person as referred to in the Prospectus/Document, where applicable.
- 9: Fill in details for share application and click "Submit"
- 10: Check the details of your share application, your IC/passport No. and click "OK" to confirm your application
- 11: Print Confirmation Screen (optional) for your reference & retention only.

APPENDIX S-G TERMS AND CONDITIONS FOR USE OF CPF FUNDS

You may not use these procedures if you are a U.S. person as defined in Regulation S under the U.S. Securities Act of 1933. Please contact the Global Coordinators or the Joint Lead Managers for more information. By using these procedures, you represent that you are not a U.S. person as defined in Regulation S under the U.S. Securities Act of 1933.

1. An Applicant who is using CPF Funds to apply for the Invitation Shares must have a CPF Investment Account at the time of application. An Applicant applying for Invitation Shares through an Electronic Application must have an ATM card with the relevant Approved Bank at the time of Application before he can use the ATMs of that Approved Bank to apply for the Invitation Shares. The CPF Investment Account is governed by the CPF (Investment Schemes) Regulations, as amended.
2. CPF Funds may only be withdrawn for an application in lots of 1,000 Invitation Shares or higher integral multiples of 1,000 Invitation Shares.
3. An Applicant applying for the Invitation Shares using a printed Application Form and who is using CPF Funds to apply for the Invitation Shares must submit a CPF Cashier's Order for the total amount payable for the number of Invitation Shares applied for using CPF Funds.
4. Before a CPF member applies for the Invitation Shares, he must first make sure that he has sufficient funds in his CPF Investment Account to pay for the Invitation Shares. If the balance in his CPF Investment Account is insufficient and he has some investible CPF Funds in his CPF Ordinary Account, the Approved Bank with which the Applicant maintains his CPF Investment Account will automatically transfer the balance of the required amount from his CPF Ordinary Account to his CPF Investment Account immediately for the Applicant to use these funds to buy a CPF Cashier's Order from his Approved Bank in the case of an application by way of a printed Application Form or submit his share application in the case of an application by way of an Electronic Application. This automatic transfer facility is available until the close of the Application List, and the operating hours of the facility are as follows:

<u>Date</u>	<u>Operating hours of facility</u>
November 16, 2000 (Thursday)	noon to 10.00 pm
November 17, 18 and 20, 2000 (Friday, Saturday and Monday, respectively)	8.00 am to 10.00 pm
November 19, 2000 (Sunday)	8.00 am to 5.00 pm
November 21, 2000 (Tuesday)	8.00 am to noon

5. Invitations Shares purchased with CPF Funds shall be registered in the name of CDP for deposit in the special (CPF) securities sub-account of the nominee company of the Applicant's Approved Bank.
6. An Applicant using CPF Funds cannot apply for the Invitation Shares as nominee for any other person.
7. All instructions or authorisations given by an Applicant in an Application Form or through an Electronic Application are irrevocable.
8. CPF Investment Accounts may be opened with any branch of the following Approved Banks:
 - DBS Bank;
 - Keppel TatLee Bank Limited;
 - Oversea-Chinese Banking Corporation Limited;
 - Overseas Union Bank Limited; and
 - United Overseas Bank Limited.
9. All information furnished by the CPF Board and the relevant Approved Bank on the authorisation of an Applicant will be relied on as being true and correct.

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