

building an enduring marketplace

20

gaining momentum

05

Singapore Exchange Limited

Annual Report  
FY2004/2005

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## MISSION

SGX OFFERS A COMPREHENSIVE AND  
EFFICIENT INFRASTRUCTURE FOR RAISING  
CAPITAL, AND FOR INVESTORS TO TRANSACT  
AND CLEAR FINANCIAL PRODUCTS.

As a leading marketplace,  
we strive to continually innovate

AND PROVIDE OUR CUSTOMERS WITH  
CONVENIENT ACCESS, QUALITY PRODUCTS AND  
THE BEST PRICE DISCOVERY AT A COMPETITIVE  
COST WHILE SEEKING TO CREATE VALUE FOR  
OUR SHAREHOLDERS.

## PRODUCTS AND SERVICES

SGX offers a diverse and exciting array of securities and derivatives products via a global network of broking members, who provide access to these products through various channels.

Our securities products, traded on an electronic screen-based trading system, include:

- Equities
- Warrants
- Bonds, Debentures and Loan Stock
- Exchange Traded Funds
- Real Estate Investment Trusts
- Infrastructure Funds
- Depository Receipts

Our derivatives products consist of a wide range of international risk management and trading instruments. The products, traded electronically, include:

- Short-Term Interest Rate Futures and Options on Futures
- Long-Term Interest Rate Futures and Options on Futures
- Equity Index Futures and Options on Futures
- Single Stock Futures
- Structured Warrants

We also offer a range of data and information services that provide both historical and 'live' data and prices to our customers, including:

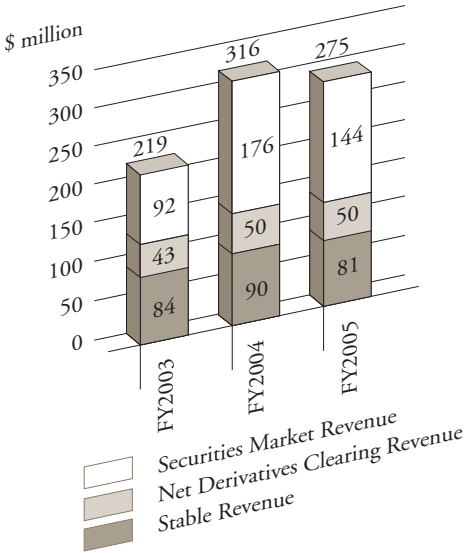
- SGX SecuritiesBook
- Mobile Data Services
- Listed Companies Data
- Price Reporting and Dissemination System for Derivatives
- Historical Market Data
- Publications
- SGXNet

## GROUP FINANCIAL HIGHLIGHTS

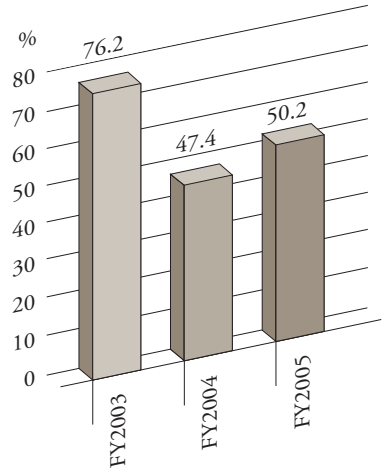
*All figures are in Singapore dollars*

	FY2005	FY2004	FY2003
<b>For the Year (\$ million)</b>			
Operating Revenue	275	316	219
Operating Expenses	138	150	166
EBITDA	155	185	50
Operating Profit	137	166	52
Non-Operating Revenue	3	0	25
Net Profit Attributable to Shareholders	109	133	16
Operating Cashflow	101	189	56
<b>At Year-End (\$ million)</b>			
Net Current Assets	247	418	585
Total Assets	1,029	1,004	1,183
Total Liabilities	554	363	383
Shareholders' Funds			
- Share Capital	10	10	10
- Reserves	464	630	789
Shares Issued (million)	1,042	1,029	1,003
<b>For the Year</b>			
Revenue Growth	(13.1%)	44.8%	(4.5%)
Operating Profit Margin	49.8%	52.6%	23.8%
Net Profit Margin	39.4%	42.0%	5.3%
Cost-to-Income Ratio	50.2%	47.4%	76.2%
Return on Shareholders' Funds	23.1%	20.8%	2.0%
<b>Per Share Data</b>			
Operating Cashflow (cents)	9.67	18.40	5.60
Basic Earnings (cents)	10.58	13.02	1.60
Net Tangible Assets (cents)	45.54	62.22	79.69
Net Dividend (cents) :			
(a) Base	6.00	5.60	5.07
(b) Variable	2.50	5.20	-
(c) Special	15.00	-	26.52
Average Share Price (\$)	1.85	1.67	1.22
Share Price at Financial Year-End (\$)	2.11	1.68	1.37

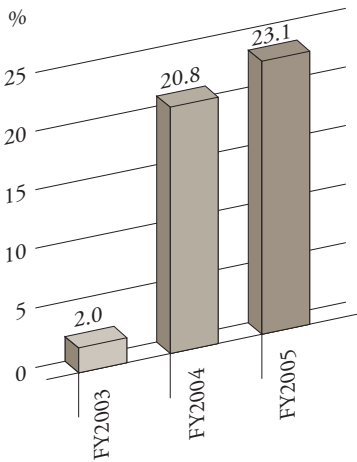
MAIN REVENUE STREAMS



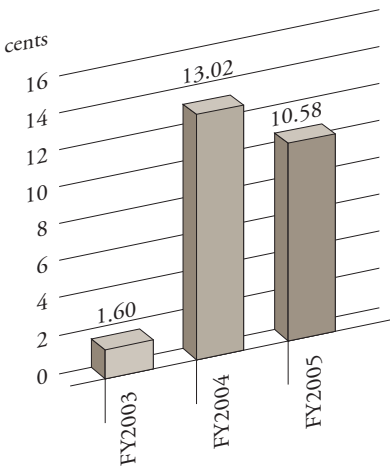
COST-TO-INCOME RATIO



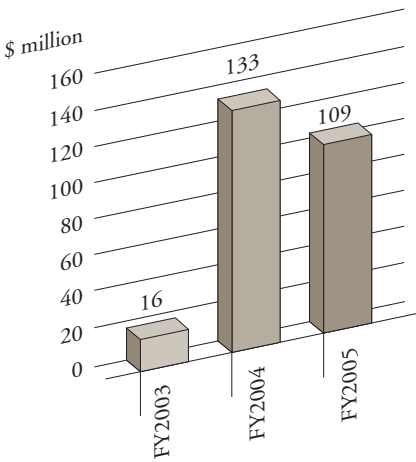
RETURN ON SHAREHOLDERS' FUNDS



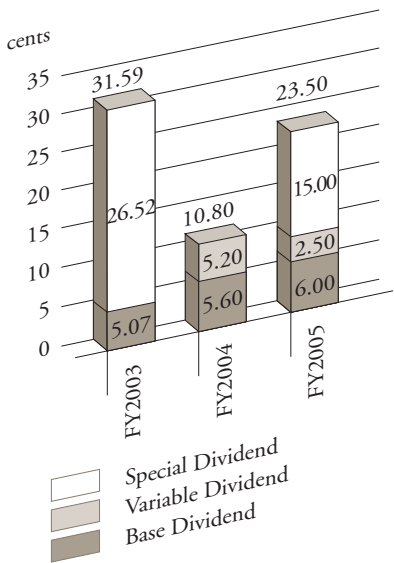
EARNINGS PER SHARE



NET PROFIT



NET DIVIDEND PER SHARE

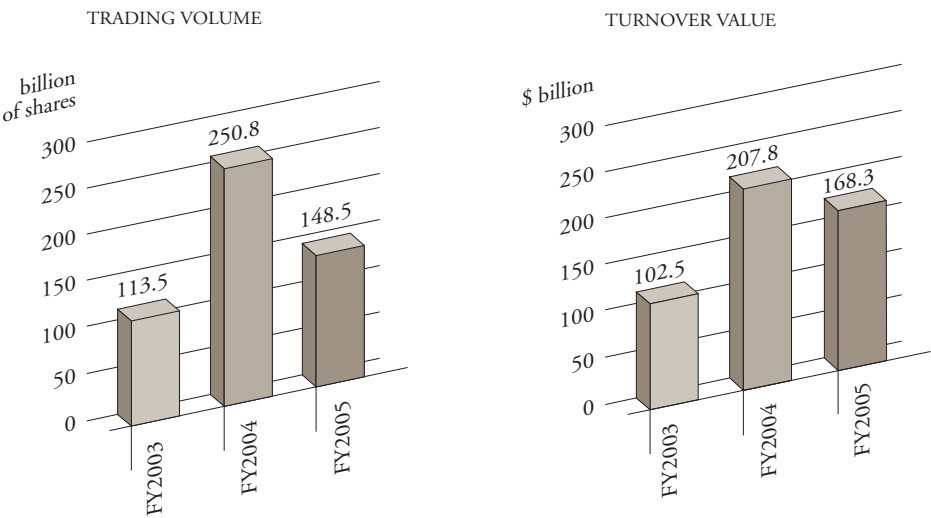


PERFORMANCE HIGHLIGHTS

All figures are in Singapore dollars

SECURITIES MARKET\*

PERFORMANCE IN FY2005 COMPARED TO FY2004 AND FY2003



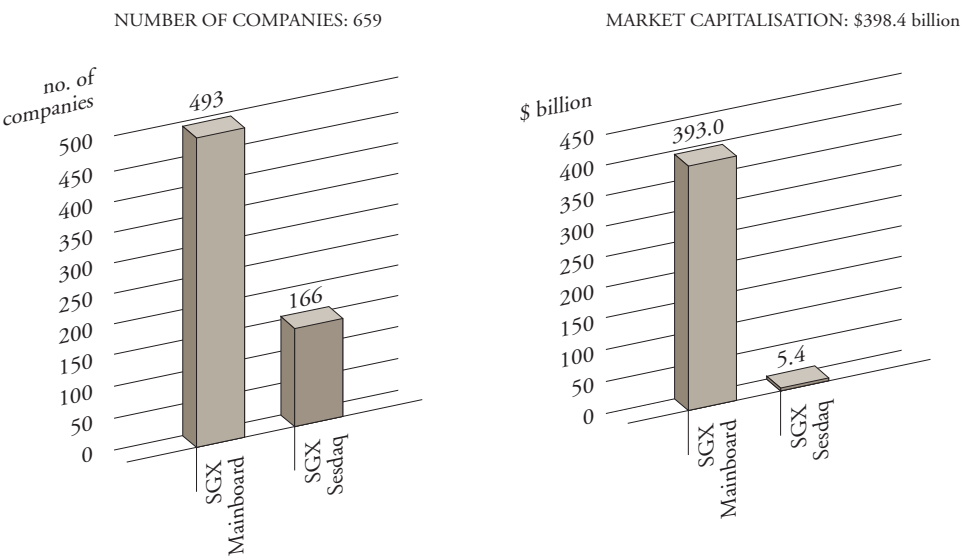
ACCOUNTS HELD WITH THE CENTRAL DEPOSITORY (AS AT 30 JUNE 2005)

Number of accounts	:	1.26 million
Number of shares in accounts	:	318.7 billion
Value of shares in accounts	:	\$368.8 billion

NEW LISTINGS IN FY2005

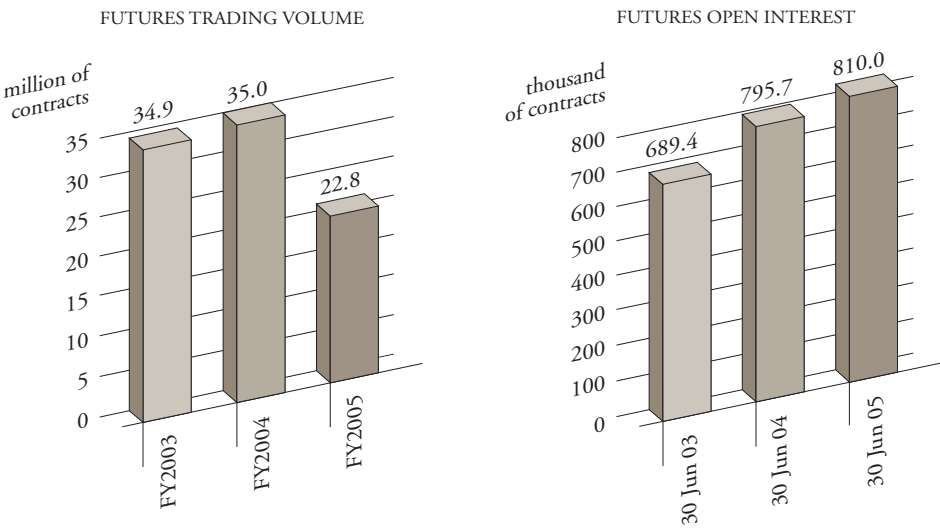
Number	:	80
Amount raised	:	\$4.0 billion

LISTED COMPANIES AND THEIR MARKET CAPITALISATION\*\* (AS AT 30 JUNE 2005)

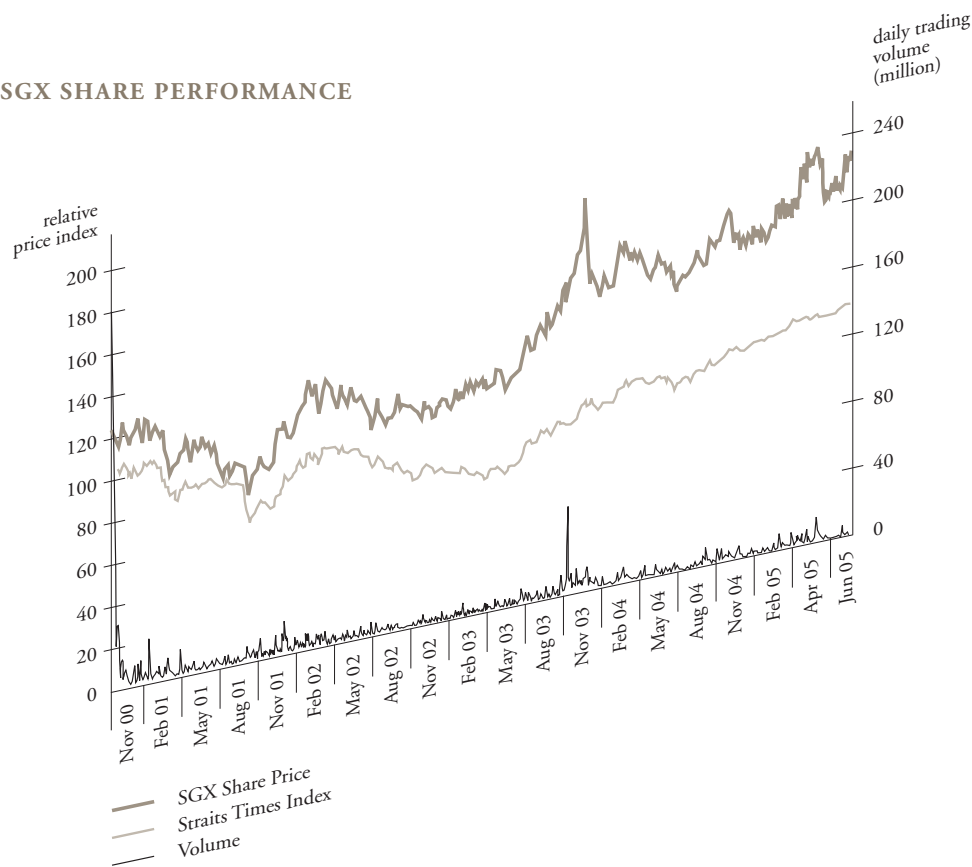


*\*Figures exclude structured warrants which have been reclassified as derivatives products.*  
*\*\*SGX has a substantial number of foreign listings, defined as companies whose principal place of business is outside of Singapore. In presenting the market capitalisation of our market, we have excluded 23 inactive secondary foreign listings to give an accurate reflection of our market size.*

DERIVATIVES MARKET



SGX SHARE PERFORMANCE





## HIGHLIGHTS OF THE YEAR

### 30 JULY 2004

Meghmani Organics Limited became the first Indian company to be listed on SGX Mainboard.

### 16 AUGUST 2004

Switchover from old derivatives trading engine, SGX Electronic Trading System, to SGX Quotation and Execution System (SGX QUEST) in the derivatives market.

### 20 AUGUST 2004

Extended the deadline prescribed by Listing Rule 705 for the announcement of full-year financial reporting for financial years commencing on or after 1 January 2004 from 45 days to 60 days.

### 22 OCTOBER 2004

Launched The Bull Run™ 2004, the first charity fun run in the Central Business District, which raised more than \$2 million for needy children and youths.

### 1 NOVEMBER 2004

Introduced electronic trading of Nikkei 225 on SGX QUEST during regular Japan stock market trading hours.

### 4 NOVEMBER 2004

Signed a Memorandum of Understanding (MOU) with FTSE Group to explore the creation of internationally recognised indices for the Singapore and regional markets.

### 5 NOVEMBER 2004

Awarded overall winner (Asia Pacific category for 500 – 1,000 staff) of the Adaptive Enterprise Awards by BusinessWeek for SGX QUEST. The trading system's robustness and reliability increased trading to more than one million transactions per day and up to 10 times faster in the derivatives market.

### 29 NOVEMBER 2004

Launched phase two of SGX-MAS Research Incentive Scheme. An additional 50 listed companies and five research firms participated, bringing the total number of participating firms to date to 172.

### 24 JANUARY 2005

Signed an MOU with Jakarta Stock Exchange to foster co-operation that would enhance mutual understanding of each other's market.

**31 MARCH 2005**

Closed the Nikkei 225 and Japanese Government Bond open outcry trading pits. Both contracts were traded entirely on SGX QUEST from 1 April 2005.

**8 APRIL 2005**

Sarin Technologies Limited became the first Israeli company to be listed on SGX Mainboard.

**12 APRIL 2005**

Launched a campaign to promote electronic trading of MSCI Taiwan on SGX QUEST.

**27 APRIL 2005**

Organised first corporate governance seminar in Mandarin entitled “Understanding the Regulatory Environment in Singapore” for company directors and senior executives of listed companies and prospective issuers in Singapore, Beijing and Shenzhen.

**27 MAY 2005**

Fortis Clearing Singapore admitted as a Corporate Clearing Member. Its Singapore-based team provides independent clearing of derivatives trades for Fortis customers worldwide.

**30 MAY 2005**

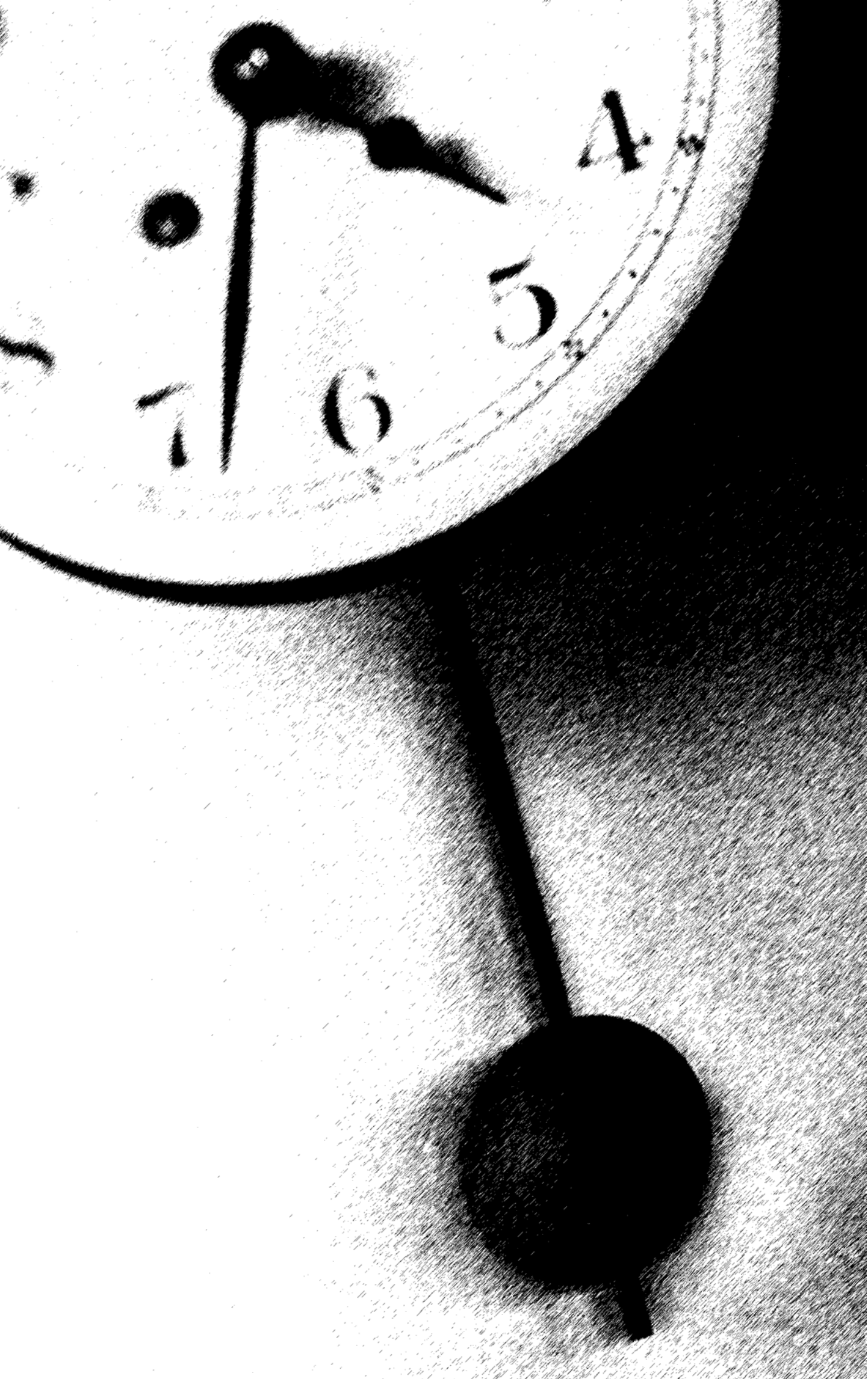
Conducted a public consultation on our Listing Rules. The proposed amendments focused on enhancing corporate governance and extending the role of intermediaries.

**8 JUNE 2005**

Awarded lease and operations of the SGX Global Electronic Trading Centre to REFCO Singapore, which will assume the centre’s existing operations from 1 August 2005. With REFCO’s participation, the Locals’ electronic access will be expanded to global markets.

**20 JUNE 2005**

Announced the development and proposed implementation of an over-the-counter clearing facility, which will cover energy derivatives and forward freight agreements. The facility will be launched in the first quarter of 2006.



# a fair and open marketplace : gaining momentum

SGX DOES YEARLY REVIEWS OF  
OUR RULES TO SHARPEN THEIR  
RELEVANCE AND EFFECTIVENESS  
TO SUIT THE NEEDS OF OUR  
MARKETPLACE.



*SGX has had a good year, in terms of consolidating the organisation and preparing for an uncertain future. We are not yet fully there in terms of organisational efficacy, being about halfway to our target. It has taken us five-and-a-half years to get where we are. The final spurt should not take as long.*

#### DUAL OBLIGATIONS OF SGX

SGX, as a self-regulatory organisation, is in the interesting position of having to temper its commercial interests with its heavy regulatory accountabilities. In the long run, those two tracks are in alignment. Adherence to exacting regulatory standards helps build an enduring marketplace and promotes investor confidence, which in turn support the commercial objectives of SGX. The effort may be a trifle costly, besides imposing a not inconsiderable burden on the organisation as it raises the tempo of supervision.

Nonetheless, we have not stinted in trying to sharpen our skills in regulating the market, even though no direct revenue accrues from discharging those responsibilities. We are confident that our shareholders – and, indeed, investors in all companies listed on our board – recognise the imperative of a sound regulatory system. Investors must have confidence that the markets we operate are fair, efficient and transparent.

#### SHOCKS IN THE MARKETPLACE

A spate of shocks in the market in the past year, arising from directors not diligently discharging their fiduciary responsibilities, is cause for concern. That series of events does not necessarily suggest that the regulations, our Listing Rules, or the Corporate Governance Code (CGC), are defective.

Admittedly, improvements can be made, and will be. Some tightening of regulations may be called for. And it is timely that the CGC has just been revised.

#### **RISK MANAGEMENT AND CONFLICTS COMMITTEES**

In the past year, the SGX board constituted its risk management committee (RMC), and reconfigured the terms of reference of its conflicts committee (CC). The RMC is accountable to the board for monitoring the financial, operating, reputational, and other risks of SGX itself, including risks to the clearing funds. It is also responsible for ensuring that adequate resources are available for the smooth functioning of the markets.

The principal object of the CC is to protect the regulatory responsibilities of the Exchange from being inappropriately influenced by the commercial interests of SGX as a company. Together with the RMC, it monitors the provision of adequate resources by management in the performance of its regulatory functions.

#### **TRADING ACTIVITY**

The volume of securities trading declined during the year. On the derivatives market, the virtual loss of the Eurodollar contract was a severe blow, fortunately mitigated by a pick-up in trading of Asian products. We do expect continued improvement in derivatives trading through more active engagement with the market and the launch of new products. On the securities side, the robust marketing of the Exchange's attractions, coupled with new initiatives like the impending trading link with Bursa Malaysia, should result in steady long-term growth.

#### **FINANCIAL PERFORMANCE**

Group profit for the year declined 17.7% to \$109.5 million. Nonetheless, the directors propose a net final dividend of 4.3 cents per share. The net dividend for the year will be 8.5 cents per share, supplemented by a net interim special dividend of 15.0 cents per share, making a total net dividend of 23.5 cents per share for the year, compared to 10.8 cents per share last year.

#### **ACKNOWLEDGEMENTS**

It remains for me to thank my fellow directors for their enthusiastic participation in steering the Exchange, to the CEO and all staff for their remarkable diligence, and to all our external constituencies for their co-operation and support.



J Y Pillay  
Chairman  
28 July 2005

## BOARD OF DIRECTORS



**MR J Y PILLAY**  
CHAIRMAN  
Singapore Exchange Limited

Mr Pillay has served as the Chairman of the SGX board since 18 November 1999. Since 16 August 2001, he has served as an executive and non-independent director on the SGX board.

Mr Pillay now serves as Chairman of the Council on Corporate Disclosure and Governance, member of the Council of Presidential Advisers and of the Presidential Council for Minority Rights of the Republic of Singapore, Chairman of the Assisi Home and Hospice, director of the Mount Alvernia Hospital, Life Trustee of the Singapore Indian Development Association, member of the Investment Committee of the United Nations Pension Fund and Chairman of Commonwealth Africa Investments Limited. Mr Pillay 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 Monetary Authority of Singapore and of the Government of Singapore Investment Corporation. He served, in a non-executive capacity, as chairman of the board of several government-linked companies, including: Singapore Airlines Ltd (1972-1996), Temasek Holdings (Private) Limited (1974-1986), Development Bank of Singapore Ltd (1979-1984), and Singapore Technologies Holdings Private Limited (1991-1994). Mr Pillay graduated with a First Class B.Sc (Hons) degree from the Imperial College of Science & Technology, University of London in 1956.

Mr Pillay was last re-elected as a director at SGX's Annual General Meeting on 17 September 2004.



**MR HSIEH FU HUA**  
CHIEF EXECUTIVE OFFICER  
Singapore Exchange Limited

Mr Hsieh has served as Chief Executive Officer and a non-independent director on the SGX board since 1 March 2003. His career has been in merchant banking and capital markets in Asia. He was Managing Partner of PrimePartners, which is an independent private equity firm based in Singapore, and was Group Managing Director of BNP Prime Peregrine Group in Hong Kong (the joint venture Asian investment banking arm of BNP founded by PrimePartners). Prior to forming PrimePartners in 1993, he was Chief Executive of Morgan Grenfell Asia Holdings Pte Ltd which he joined in 1974.



He has served as a non-executive director on the boards of various Singapore and overseas companies including CapitaLand Limited and East Asiatic Co. Ltd. He is Chairman of the Singapore Institute of Management, a member of the National University of Singapore council and the board of Government of Singapore Investment Corporation. He graduated in 1974 from the University of Singapore in Business Administration.

Mr Hsieh was elected as a director at SGX's Annual General Meeting on 22 October 2003.

**MR CHEW CHOON SENG**  
CHIEF EXECUTIVE OFFICER  
Singapore Airlines

Mr Chew has served as an independent director on the SGX board since 1 December 2004. He is the CEO of Singapore Airlines and the Deputy Chairman of its listed subsidiaries SIA Engineering Company and Singapore Airport Terminal Services. Mr Chew is the Chairman of Singapore Aircraft Leasing Enterprise and a Director of Virgin Atlantic Airways. He graduated from the University of Singapore in Mechanical Engineering with First Class Honours, and has a Master's degree in Operations Research and Management Studies from Imperial College, University of London.

**MR HO TIAN YEE**  
EXECUTIVE DIRECTOR  
Pacific Asset Management (S) Pte Ltd

Mr Ho has served as an independent director on the SGX board since 15 November 1999. He is currently the Executive Director of Pacific Asset Management (S) Pte Ltd. Mr Ho was previously the General Manager and Managing Director of Bankers Trust Company Singapore. Mr Ho also serves on the boards of Fraser and Neave Ltd, Great Eastern Holdings Ltd and Singapore Power Limited. Mr Ho holds a Bachelor of Economics (Honours) from Portsmouth University in the United Kingdom.

Mr Ho was last re-elected as a director at SGX's Annual General Meeting on 17 September 2004.



## BOARD OF DIRECTORS (cont'd)



**MR LEE HSIEN YANG**  
PRESIDENT AND CHIEF EXECUTIVE OFFICER  
Singapore Telecommunications Limited

Mr Lee has served as an independent director on the SGX board since 17 September 2004. Mr Lee joined SingTel in April 1994 and has been the President and CEO of SingTel since May 1995. Mr Lee chairs the Republic Polytechnic's Board of Governors and is a member of the Land Transport Authority Board, the Board of Directors of INSEAD, France and the Governing Board of Lee Kuan Yew School of Public Policy. A President's Scholar and an SAF Scholar, Mr Lee has a First Class Honours degree in engineering from Cambridge University and an MSc in Management Science from Stanford University.

Mr Lee was elected as a director at SGX's Annual General Meeting on 17 September 2004.



**MR LOH BOON CHYE**  
HEAD OF GLOBAL MARKETS, ASIA  
Deutsche Bank AG, Singapore

Mr Loh has served as an independent director on the SGX board since 22 October 2003. Mr Loh began his career as an Investment Officer with the Monetary Authority of Singapore in 1989 and joined the Singapore branch of the Morgan Guaranty Trust Co. of New York in 1992. Since 1995, he has been with Deutsche Bank AG, Singapore. He was appointed the Chief Executive of the Global Markets Division in Singapore and later the Head of Global Markets, Asia, in 2002. Mr Loh served as the Chairman of the Capital Markets Working Group (1998), the Deputy President of ACI Singapore (1999) and as Chairman of the Debt Capital Markets Committee of the Singapore Investment Banking Association (2000). He currently chairs the Singapore Foreign Exchange Market Committee. Mr Loh holds a Bachelor of Engineering degree from the National University of Singapore.

Mr Loh was elected as a director at SGX's Annual General Meeting on 22 October 2003.



**MR LOW CHECK KIAN**

CHAIRMAN

NewSmith Capital Partners (Asia) Pte Ltd

Mr Low has served as an independent director on the SGX board since 20 July 2000. Mr Low was previously a Senior Vice-President and Member of the Executive Management Committee of Merrill Lynch & Co. as well as their Chairman for Merrill Lynch Asia Pacific. Prior to this, he was Head of Equities for Asia Pacific, Japan and Australia. Mr Low also sits on the boards of the Singapore Workforce Development Agency and the Infocomm Development Authority of Singapore, and is serving as the Chairman of its investment arm, Infocomm Investments Pte Ltd and the WDA Investment Committee respectively. He has also held several advisory roles on various Singapore Government Committees including the Financial Centre Advisory Group. Mr Low graduated from the London School of Economics (LSE) with a B.Sc. (Econ)(First Class Honours) in June 1983 and a M.Sc. (Econ) in June 1984. During his time at the LSE, he was awarded the Allan Young Prize, the Baxter-Edey Award and the Henry Luce Foundation Award.

Mr Low was last re-elected as a director at SGX's Annual General Meeting on 4 October 2002.



**MS OLIVIA LUM OOI LIN**

GROUP CHIEF EXECUTIVE OFFICER AND PRESIDENT

Hyflux Ltd

Ms Lum has served as an independent director on the SGX board since 17 September 2004. Ms Lum began her career as a Chemist with Glaxo (S) Pte Ltd in 1986. In 1989, she started Hyflux Ltd, a company specialising in water and waste water treatment. Currently, Ms Lum holds directorships in Yeo Hiap Seng Limited, Matex International Ltd and Hyflux Ltd. Ms Lum graduated from the National University of Singapore in 1986 with a Bachelor of Science (Honours).

Ms Lum was elected as a director at SGX's Annual General Meeting on 17 September 2004.

## BOARD OF DIRECTORS (cont'd)



**MR NG KEE CHOE**  
CHAIRMAN  
Singapore Power Limited

Mr Ng has served as an independent director on the SGX board since 22 October 2003. Mr Ng is the Chairman of Singapore Power Limited. He was appointed Chairman and Director of Singapore Power Limited on 15 September 2000. He also became Chairman of SP Australia Networks (Transmission) Pty Ltd and SP Australia Networks (Distribution) Pty Ltd on 31 May 2005.

His current other directorships include Chairmanship of NTUC Income Insurance Cooperative Limited, and directorship of Singapore Airport Terminal Services Ltd. He is also a Commissioner of PT Bank Danamon Tbk of Indonesia, a member of the Temasek Advisory Panel, Governor of the Singapore International Foundation and a member of the Advisory Council of China Development Bank. For his contributions to public service, Mr Ng was awarded the Public Service Star Award in 2001.

Mr Ng was elected as a director at SGX's Annual General Meeting on 22 October 2003.



**MR ROBERT OWEN**  
SENIOR ADVISER  
Nomura International (Hong Kong) Ltd

Mr Owen has served as an independent director on the SGX board since 17 September 2004. Mr Owen is Senior Adviser of Nomura International (Hong Kong) Ltd. He is also Chairman of Crosby Capital Partners Ltd (listed on the Alternative Investment Market in London), Chairman of IB Daiwa Ltd (listed on the JASDAQ market in Tokyo), Chairman of the International Securities Consultancy Ltd (unlisted) and a non-executive director of Sunday Communications Ltd (listed in Hong Kong and on NASDAQ), Citibank (Hong Kong) Ltd and a number of other companies and investment funds. Mr Owen began his career in the U.K. Foreign Office and Treasury. He later worked for Morgan Grenfell and Lloyds Bank, becoming Head of Investment Banking for the Lloyds Bank Group.

In 1988, Mr Owen was appointed Adviser to the Hong Kong Government on Securities Markets and Commissioner for Securities, with a view to implementing reforms to the regulation and operation of Hong Kong's securities and futures markets. In 1989, he became Executive Chairman of the Securities and Futures Commission of Hong Kong, where he served until 1992. Mr Owen is currently a Board Member of the Dubai Financial Services Authority. He was a Member of the Council and Regulatory Board of Lloyds of London

from 1993 to 1995. He is also a Governor of Repton School. Mr Owen graduated with First Class Honours from Oxford University in 1961.

Mr Owen was elected as a director at SGX's Annual General Meeting on 17 September 2004.



**MR TANG WEE LOKE**  
DEPUTY MANAGING DIRECTOR  
UOB Kay Hian Pte Ltd

Mr Tang has served as an independent director on the SGX board since 19 December 2002. Mr Tang has been the Deputy Managing Director of UOB Kay Hian Pte Ltd since 2001. He is a director and significant shareholder of the UOB-Kay Hian Group which, through its subsidiaries, is engaged in securities broking on the SGX securities market. Mr Tang is also a director of UOB-Kay Hian Holdings Limited, shares of which are listed and quoted on the SGX Mainboard. He is the Vice Chairman of the Securities Association of Singapore which represents the interests of SGX securities trading members in Singapore. Mr Tang holds a Bachelor of Business Administration degree.

Mr Tang was last re-elected as a director at SGX's Annual General Meeting on 22 October 2003.



**MR GEOFFREY WONG EE KAY**  
MANAGING DIRECTOR  
UBS Global Asset Management

Mr Wong has served as an independent director on the SGX board since 22 October 2003. Mr Wong is currently a Managing Director at UBS Global Asset Management, where he heads the global emerging markets and Asia ex Japan equity teams. He is also an executive director of UBS Global Asset Management (Singapore) Ltd. Prior to joining UBS in 1997, Mr Wong worked at Koeneman Capital Management. He has been in the fund management industry since 1989. Mr Wong graduated from the Massachusetts Institute of Technology with Master of Science and Bachelor of Science degrees in Electrical Engineering and Computer Science. He also holds a Master of Science degree in Management from the Sloan School of Management, MIT.

Mr Wong was elected as a director at SGX's Annual General Meeting on 22 October 2003.

## PRESENT AND PAST DIRECTORSHIPS\*

### MR JOSEPH YUVARAJ PILLAY

PRESENT DIRECTORSHIPS (As at 30 June 2005)

#### A) SGX Group

Singapore Exchange Securities Trading Limited  
Singapore Exchange Derivatives Trading Limited  
The Central Depository (Pte) Limited  
Singapore Exchange Derivatives Clearing Limited  
SGXLink Pte Ltd  
SGX Investment (Mauritius) Limited

#### B) Others

Council of Presidential Advisers of the Republic of Singapore (*Member*)  
Presidential Council for Minority Rights of the Republic of Singapore (*Member*)  
Council on Corporate Disclosure and Governance (*Chairman*)  
Financial Sector Development Fund Advisory Committee of the Monetary Authority of Singapore (*Member*)  
Temasek Advisory Panel of the Temasek Holdings (Private) Limited (*Member*)  
Temasek International Panel of the Temasek Holdings (Private) Limited (*Chairman*)  
Singapore Indian Development Association (*Life Trustee*)  
Mount Alvernia Hospital  
Assisi Home & Hospice (*Chairman*)  
Singapore Hospice Council (*Member*)  
Investment Committee of the United Nations Pension Fund (*Member*)  
Commonwealth Africa Investments Limited (*Chairman*)

PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS

(From 30 June 2002 – 29 June 2005)

Asia Converge Pte Ltd (*Chairman*)  
Singapore Exchange IT Solutions Pte Limited  
Securities Clearing and Computer Services (Pte) Limited  
SEL Holdings Pte Ltd  
Asia-Europe Foundation (*Member, Board of Governors*)

### MR HSIEH FU HUA

PRESENT DIRECTORSHIPS (As at 30 June 2005)

#### A) SGX Group

Singapore Exchange Securities Trading Limited  
SGXLink Pte Ltd  
Singapore Exchange Derivatives Trading Limited  
Singapore Exchange Derivatives Clearing Limited  
The Central Depository (Pte) Limited  
Singapore Exchange IT Solutions Pte Limited  
Securities Clearing and Computer Services (Pte) Limited  
Options Clearing Company (Pte) Limited  
Macronet Information Pte. Ltd.  
GlobalClear Pte Ltd  
CDP Nominees Pte Ltd  
CDP Nominees (II) Pte Ltd  
AsiaClear Pte Ltd  
American Stock Exchange – SGX Pte Ltd  
SGX Investment (Mauritius) Limited



*B) PrimePartners Group*

PrimeFounders Inc. *(formerly PPAC Inc)*  
PrimePartners Assets Inc. *(formerly PrimePartners Asset Management Inc)*  
ServTouch Holdings Pte Ltd *(formerly WyWy Office Solutions Group Pte Ltd)*  
Measurex Engineering Pte Ltd *(in liquidation wef 22 March 2002)*  
PrimePartners Management Pte Ltd *(in voluntary liquidation wef 18 April 2002)*

*C) Others*

TIF Ventures Pte Ltd  
Government of Singapore Investment Corporation Pte Ltd  
SIM International Pte Ltd  
Singapore Institute of Management *(Council Chairman)*  
National University of Singapore *(Council Member)*

*D) Personal*

Sunshine Portfolio Sdn Bhd  
Hogarth Limited  
Binjai Inc.

PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS

*(From 30 June 2002 – 29 June 2005)*

Prime Investment Global Inc  
WyWy Office Solutions Pte Ltd  
WyWy Office Solutions Sdn Bhd *(formerly Central Display Sdn Bhd)*  
The East Asiatic Company Ltd. A/S  
PrimePartners Asset Management (HK) Ltd  
CF Fund Holdings Ltd  
PP Special Asset Limited *(formerly PP Special Asset Management Ltd)*  
WhiteField Korean Fund (L) Limited *(formerly Prime Seoul Fund (L) Limited)*  
Prime Dilmun Management Ltd  
CF Holdings (II) Ltd  
Nylex (M) Bhd  
WhiteRock Management Company Ltd  
WhiteRock Management I Ltd  
WhiteRock Investments I Ltd  
Rhodemark Development Sdn Bhd  
WhiteRock Investment II Ltd  
WhiteRock<sup>2</sup> Management Ltd  
WhiteRock Investments III Ltd  
PrimePartners Holdings Pte Ltd *(formerly Matrix Asia Pte Ltd)*  
PrimePartners Asset Management Pte Ltd *(formerly PrimePartners Asia Capital Pte Ltd)*  
W3 Infocomm Group Pte Ltd *(formerly w3angels.com Pte Ltd)*  
CapitaLand Limited *(formerly Pidemco Land Limited)*  
CapitaLand Financial Limited  
Measurex Precision Pte Ltd  
TP Innovation Holdings Pte Ltd  
PrimePartners Direct Investment Limited  
Asia Converge Pte Ltd  
Singapore Technologies Endowment Programme Limited  
Measurex Holdings Pte Ltd

## PRESENT AND PAST DIRECTORSHIPS (cont'd)

### MR CHEW CHOON SENG

PRESENT DIRECTORSHIPS (As at 30 June 2005)

Government of Singapore Investment Corporation Pte Ltd  
SIA Engineering Company Limited  
Singapore Airport Terminal Services Limited (SATS)  
Singapore Airlines Limited  
Virgin Atlantic Limited  
Virgin Atlantic Airways Limited  
Virgin Travel Group Limited  
Singapore International Foundation  
Singapore Aircraft Leasing Enterprise Pte Ltd

PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS

(From 30 June 2002 – 29 June 2005)

SIA Engineering Company Pte Limited  
Singapore MRT Ltd  
Singapore LRT Pte Ltd  
SMRT Corporation Ltd  
TIBS Holdings Ltd  
Trans-Island Bus Services Ltd

### MR HO TIAN YEE

PRESENT DIRECTORSHIPS (As at 30 June 2005)

Hexa-Team Planners Pte Ltd  
Pacific Asset Management (S) Pte Ltd  
Fraser and Neave Ltd  
The Overseas Assurance Corporation Limited  
Times Publishing Ltd  
Great Eastern Holdings Ltd  
The Great Eastern Life Assurance Company Ltd  
Singapore Power Limited

PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS

(From 30 June 2002 – 29 June 2005)

SAVER – Premium Fund, Ministry of Defence (*Member of the Board of Trustees*)  
Singapore Power International Pte Ltd  
SP PowerAsset Ltd  
Centrepont Properties Ltd  
CPL (China) Pte Ltd  
SPI Australia Group Pty Ltd

### MR LEE HSIEN YANG

PRESENT DIRECTORSHIPS (As at 30 June 2005)

#### A) SingTel Companies

Singapore Telecommunications Limited  
Singapore Post Limited  
Singapore Telecom International Pte Ltd.  
NCS Pte. Ltd.  
Singapore Telecom Mobile Pte Ltd.  
SingTel Optus Pty Limited  
Singapore Telecom Australia Investment Pty Limited

*B) Others*

Kwa Geok Choo Pte Ltd  
Land Transport Authority (*Member*)  
Republic Polytechnic (*Chairman*)  
L & L Services (Pte) Ltd.  
Governing Board of Lee Kuan Yew School of Public Policy (*Member*)

PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS

(From 30 June 2002 – 29 June 2005)

Defence Science & Technology Agency  
Telecom Equipment Pte Ltd.  
SingNet Pte Ltd.  
KA Land Pte Ltd.  
Mercurix Pte Ltd.  
Singapore Telecom America, Inc.  
SingTel USA, Inc.  
SingTel Asian Investments Pte Ltd.  
SingTel Strategic Investments Pte Ltd.  
Singapore Telecom Paging Pte Ltd.  
SingTel Global Services (Pte) Ltd.  
SingTel Ventures (Singapore) Pte Ltd.  
SingaSat Pte Ltd.  
Virgin Mobile (Asia) Pte Ltd.  
Virgin Mobile Holdings Pte Ltd.  
Virgin Mobile (Singapore) Pte Ltd.  
SingTel Investments Pte Ltd.  
Sesami Inc.  
Singapore Telecom Europe Limited  
Singapore Science Centre  
STEL Information Technology (Shanghai) Co. Ltd.  
MediaCorp Press Ltd

**MR LOH BOON CHYE**

PRESENT DIRECTORSHIPS (As at 30 June 2005)

Gym & Sports Pte Ltd  
BC Capital Pte Ltd  
IBF Council  
Financial Sector Development Fund Advisory  
Committee of the Monetary Authority of Singapore (*Member*)  
Chairman of Singapore Foreign Exchange Committee

PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS

(From 30 June 2002 – 29 June 2005)

BondsinAsia Limited  
BondsAsia (Singapore) Pte Ltd  
Deutsche Bank International Asia Ltd  
Deutsche Securities India (Pte) Ltd

**MR LOW CHECK KIAN**

PRESENT DIRECTORSHIPS (As at 30 June 2005)

Infocomm Development Authority of Singapore  
Infocomm Investments Pte Ltd (*Chairman*)  
Singapore Workforce Development Agency Board  
Singapore Workforce Development Agency Investment Committee (*Chairman*)  
NewSmith Capital Partners (Asia) Pte Ltd (*Chairman*)  
Fibrechem Technologies Limited



## PRESENT AND PAST DIRECTORSHIPS (cont'd)

### PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS

(From 30 June 2002 – 29 June 2005)

Merrill Lynch Securities Philippines Inc.  
Merrill Lynch Phatra Securities Co. Ltd.  
DSP Merrill Lynch Investment Managers Ltd.  
DSP Merrill Lynch Limited  
Merrill Lynch (Singapore) Pte. Ltd. (*CEO*)  
Merrill Lynch Asia Pacific (*Chairman*)  
Merrill Lynch (Singapore) Nominees Pte Ltd  
PT Merrill Lynch Indonesia (*Commissioner, Board of Commissioners*)  
Smith Zain (Malaysia) Sdn Bhd (*Alternate Director*)  
Singapore Art Museum (*Member*) [under the National Heritage Board]  
Citiraya Industries Ltd

### MS OLIVIA LUM OOI LIN

#### PRESENT DIRECTORSHIPS (As at 30 June 2005)

##### A) *Hyflux Ltd and its subsidiaries*

Hyflux Ltd  
Hyflux Aquosus (Singapore) Pte Ltd  
Sinolac (Singapore) Pte Ltd  
Hyflux Lifestyle Products (S) Pte Ltd  
Hyflux Filtech (Singapore) Pte Ltd  
Hydrochem (S) Pte Ltd  
Nanomax Pte Ltd  
Spring Hope Pte Ltd

##### B) *Others*

Matex International Ltd  
Yeo Hiap Seng Limited

### PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS

(From 30 June 2002 – 29 June 2005)

Nil

### MR NG KEE CHOE

#### PRESENT DIRECTORSHIPS (As at 30 June 2005)

Singapore Power Limited (*Chairman*)  
Singapore Airport Terminal Services Limited  
SP Australia Networks (Transmission) Pty Ltd  
SP Australia Networks (Distribution) Pty Ltd  
NTUC Income Insurance Cooperative Limited (*Chairman*)  
Temasek Advisory Panel of Temasek Holdings (Private) Limited (*Member*)  
Singapore International Foundation (*Governor*)  
PT Bank Danamon Indonesia Tbk (*Commissioner*)  
Advisory Council of China Development Bank (*Member*)

### PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS

(From 30 June 2002 – 29 June 2005)

DBS Bank Ltd  
DBS Group Holdings Ltd  
Wing Lung Bank Ltd

### MR ROBERT OWEN

#### PRESENT DIRECTORSHIPS (As at 30 June 2005)

Crosby Capital Partners Inc. (*listed on the Alternative Investment Market in London*)  
Crosby Capital Partners (Hong Kong) Ltd

Crosby Capital Partners Ltd  
 Crosby China Chips Fund Ltd  
 The Dubai Financial Services Authority  
 Sunday Communications Ltd. *(listed in Hong Kong and on NASDAQ)*  
 ECK & Partners Ltd.  
 International Securities Consultancy Ltd.  
 International Securities Institute Ltd  
 International Securities Information Services Ltd  
 International Financial Services Consultancy Ltd  
 ISI Publications Ltd  
 Securities Institute of Hong Kong Ltd  
 CMEC-GE Capital China Industrial Holdings Ltd.  
 Repton School  
 Repton Preparatory School  
 Sir John Port's Charity  
 Repton Foundation  
 Citibank (Hong Kong) Ltd  
 IB Daiwa Limited *(Listed on the JASDAQ market in Tokyo)*

PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS

(From 30 June 2002 – 29 June 2005)

Techpacific Capital Ltd.

**MR TANG WEE LOKE**

PRESENT DIRECTORSHIPS (As at 30 June 2005)

UOB-Kay Hian Holdings Limited  
 Kay Hian Holdings Limited  
 UOB Kay Hian Private Limited *(formerly known as Kay Hian Private Limited)*  
 UOB Kay Hian Nominees Pte Ltd  
 UOB Kay Hian Research Pte Ltd  
 UOB Kay Hian Trading Pte Ltd  
 UOB Kay Hian Overseas Limited *(Non-Executive Director)*  
 UOB Kay Hian Finance Limited *(Non-Executive Director)*  
 UOB Kay Hian (BVI) Limited *(Non-Executive Director)*  
 Trans-Pacific Credit Private Limited  
 Thong & Kay Hian Securities Sdn Bhd *(Non-Executive Director)*  
 PT UOB Kay Hian Securities *(Non-Executive Director)*  
 UOB Kay Hian Securities (Philippines) Inc *(Non-Executive Director)*  
 Bonham Nominees Pte Ltd

PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS

(From 30 June 2002 – 29 June 2005)

UOB Kay Hian (M) Holdings Sdn Bhd  
 UOB Kay Hian Securities (Thailand) Co Ltd *(Non-Executive Director)*

**MR GEOFFREY WONG EE KAY**

PRESENT DIRECTORSHIPS (As at 30 June 2005)

UBS Global Asset Management (Singapore) Ltd

PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS

(From 30 June 2002 – 29 June 2005)

Nil

## EXECUTIVE COMMITTEE



**MR HSIEH FU HUA**  
CHIEF EXECUTIVE OFFICER

Mr Hsieh has served as Chief Executive Officer of SGX since 1 March 2003. His career has been in merchant banking and capital markets in Asia. Mr Hsieh was Managing Partner of PrimePartners, an independent private equity firm in Singapore, and Group Managing Director of BNP Prime Peregrine Group in Hong Kong, BNP's joint venture Asian investment banking arm founded by PrimePartners. Prior to forming PrimePartners in 1993, he was Chief Executive of Morgan Grenfell Asia Holdings Pte Ltd which he joined in 1974.

He had served as a non-executive director on the boards of various Singapore and overseas companies including CapitaLand Limited and East Asiatic Co. Ltd. He is Chairman of the Singapore Institute of Management, and a member of the National University of Singapore council and the board of Government of Singapore Investment Corporation. He graduated in 1974 with a Business Administration degree from the University of Singapore.



**MR ANG SWEET TIAN**  
PRESIDENT

Mr Ang is the President of SGX. Apart from sitting on the Exchange's Executive Committee, Mr Ang is also a member of the Operations Operating Committee and Markets Operating Committee. Prior to this, he was the General Manager of SIMEX and had served as Head of Money Market in the Banking Department and as Deputy Insurance Commissioner in the Insurance Commissioner's Department of the Monetary Authority of Singapore. Mr Ang holds a First Class (Honours) degree in Commerce from Nanyang University of Singapore and a Master's degree in Management (with distinction) from Northwestern University, USA.



**MR CHEW HONG GIAN**  
EXECUTIVE VICE PRESIDENT

Mr Chew heads the Technology Group, with executive responsibility for major IT infrastructure implementations and delivery of highly reliable IT services to market participants. He previously held several senior positions at the Exchange, where he was responsible for managing depository operations, marketing brokerage technology solutions and establishing an in-sourcing service. Mr Chew started his career with the National Computer Board and later joined the Monetary Authority of Singapore where he participated in a strategic review of Singapore's financial sector. Mr Chew graduated from the University of Michigan with a Bachelor (Highest Honours) degree and a Master's degree in Computer Science. He also holds a Master of Business Administration (International Business) degree from the Nanyang Business School of Singapore.



**MR GAN SEOW ANN**  
EXECUTIVE VICE PRESIDENT

Mr Gan heads the Markets Group, responsible for the marketing of SGX's products and services, including attracting companies to list on SGX. He also leads the group in managing business relationships with SGX's customers, including issuers, intermediaries, institutions, traders and retail investors. Mr Gan has held senior positions with regional responsibilities in the capital markets industry. Prior to joining SGX, he was Managing Director of Merrill Lynch, Singapore. Mr Gan holds a Master of Business Administration from McMaster University.

## EXECUTIVE COMMITTEE (cont'd)



**MR LINUS KOH KIA MENG**  
EXECUTIVE VICE PRESIDENT

Mr Koh heads the Products and Services Group, which is responsible for managing, developing and broadening the range of securities and derivatives instruments traded on the Exchange. The group is also focused on managing Exchange Services that promote access to the SGX and participation in its product markets.

Mr Koh was previously Executive Director and Chief Operating Officer of G. K. Goh Holdings Limited. He has held key positions in the financial services industry, at the Deutsche Bank Group in London and Singapore, State Street Bank & Trust Co. in Boston, UBS, Morgan Grenfell (Asia) Ltd, and Citibank, N.A., Singapore.

Mr Koh sits on the Council and Executive Committee of the Singapore Institute of International Affairs. He holds a Master of Science degree in Management from the Massachusetts Institute of Technology, USA, and a First Class Honours degree in Economics from Sheffield University, UK.



**MR SECK WAI KWONG**  
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Mr Seck is the Chief Financial Officer and heads the Corporate Services Group. He is also Group Head for Strategy and Business Development.

Mr Seck has held positions in the Monetary Authority of Singapore and the Government of Singapore Investment Corporation. He was also adviser to the Investment Company of the People's Republic of China in 1995 and Managing Director of Lehman Brothers Inc from 1995 to 1999. From 1999 to 2002, he was Managing Director of DBS Bank where he ran wealth management, and prior to that, corporate and investment banking. He is currently serving on the boards of the Land Transport Authority and the Energy Markets Authority.

Mr Seck holds a Master of Business Administration (with Distinction) from the Wharton School, University of Pennsylvania, USA, and a Bachelor of Economics (First Class Honours) from Monash University, Australia.



**MR DANIEL TAN BAK HIANG**  
EXECUTIVE VICE PRESIDENT

Mr Tan heads the Operations Group, where he oversees the management of the securities and derivatives trading, clearing and settlement processes, securities depository and customer service functions. When he was heading the Exchange's Information Technology division, Mr Tan played a key role in the implementation of SGX's strategic IT initiatives and was responsible for aligning these initiatives with the Exchange's strategic vision. Prior to joining SGX in 1983, he was with the Housing and Development Board. Mr Tan holds a degree in Computer Science from the University of Toronto, Canada.



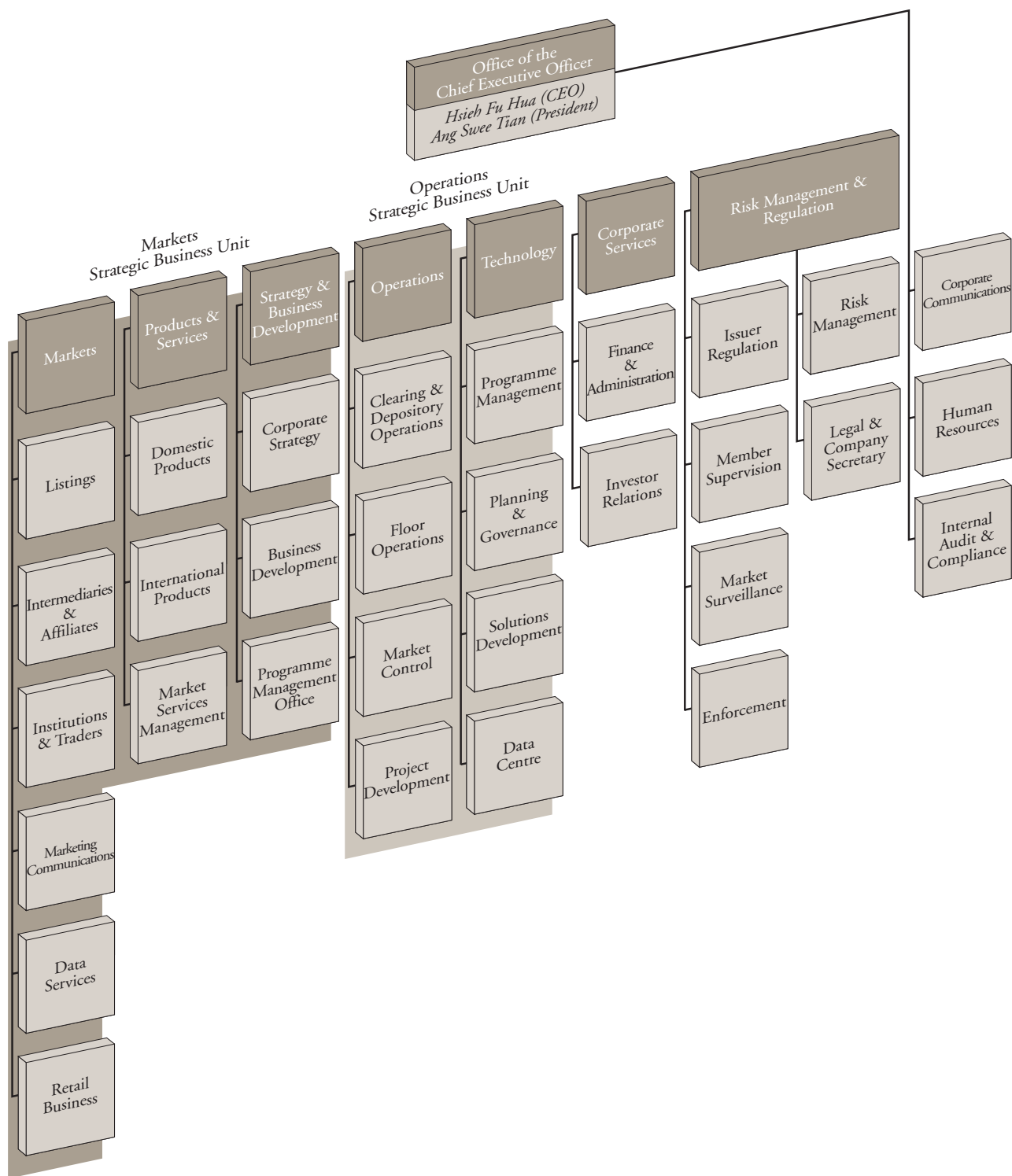
**MS YEO LIAN SIM**  
EXECUTIVE VICE PRESIDENT

Ms Yeo heads the Risk Management and Regulation Group, where she provides direction on the Exchange's regulatory work including market surveillance and the supervision of members and listed companies.

Ms Yeo has extensive experience from the Monetary Authority of Singapore (MAS) and Temasek Holdings. At Temasek Holdings, Ms Yeo was responsible for capital resource management. Prior to joining Temasek, Ms Yeo was Deputy Managing Director at MAS. During her time at MAS, Ms Yeo held responsibilities in various areas: managing the Singapore dollar exchange rate and money market operations, managing the investment of foreign reserves and overseeing the regulation of the securities and futures markets. Ms Yeo graduated with Honours in Economics and Political Science from the University of Singapore and with a Master's degree from London Business School.



ORGANISATION CHART



**MARKETS** manages relationships with our customers, markets SGX products and services to issuers, intermediaries, SGX Locals, institutions, custodian banks and retail investors, as well as acquires new listings.

**PRODUCTS & SERVICES** drives our efforts to develop and manage our suite of securities and derivatives products, as well as our services to promote trading access and participation.

**STRATEGY & BUSINESS DEVELOPMENT** focuses on developing our strategic direction and new business ventures.

**OPERATIONS** manages trading, clearing and settlement operations for securities, derivatives, as well as securities depository functions.

**TECHNOLOGY** focuses on driving new IT infrastructure developments, innovating applications and solutions, and delivering highly reliable IT services for the SGX marketplace.

**CORPORATE SERVICES** oversees the finance & administration, and investor relations functions.

**RISK MANAGEMENT & REGULATION** supervises our members, listed companies and market activities to ensure market integrity and minimise the risk of default. The Exchange's legal function also falls under this group.

**CORPORATE COMMUNICATIONS** develops and manages the SGX brand through programmes that foster relations with our key stakeholders, including the media and public.

**HUMAN RESOURCES** develops and aligns its SGX people strategy to the business objectives, and drives its human resource practices, programmes and processes to help achieve business performance.

**INTERNAL AUDIT & COMPLIANCE'S** mission is to provide independent and reasonable assurance to the board, Audit Committee and management that SGX's risk management, controls and governance processes are adequate and effective.



The Listing Manual of SGX-ST requires all listed companies to describe, in their annual reports, their corporate governance practices, with specific reference to the principles of the Singapore Code of Corporate Governance introduced in April 2001 (Code). SGX takes pains in improving its corporate governance, and is making steady progress. In 2004, an investor relations firm, Orient Capital, conducted a study amongst European fund managers of their perceptions of SGX against 14 leading Singaporean and Australian companies, including listed exchanges. SGX was ranked first in the category for corporate governance.

**PRINCIPLE 1: BOARD'S CONDUCT OF ITS AFFAIRS**

- 1.1 The board oversees SGX's business affairs. The key matters for board oversight include:
  - (a) approving broad policies, strategies and objectives of the company;
  - (b) monitoring management performance;
  - (c) overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
  - (d) approving annual budgets, major funding proposals, investment and divestment proposals; and
  - (e) assuming responsibility for corporate governance.
- 1.2 Matters which are specifically reserved to the board for approval are:
  - (a) matters involving a conflict of interest for a substantial shareholder or a director;
  - (b) material acquisitions and disposal of assets;
  - (c) corporate or financial restructuring;
  - (d) share issuances, dividends and other returns to shareholders;
  - (e) matters which require board approval as specified under the company's interested person transaction policy; and
  - (f) any investments or expenditures exceeding \$10 million in total.
- 1.3 To assist in the execution of its responsibilities, the board has established six board committees, namely, the Nominating Committee (NC), the Audit Committee (AC), the Remuneration Committee (RC), the Appeals Committee, the Risk Management Committee (RMC) and the Conflicts Committee (CC). The terms of reference and composition of each board committee are available at [www.sgx.com](http://www.sgx.com). The composition of each board committee is also found at the back cover page of the Annual Report.
- 1.4 The board meets at least six times a year. The frequency of meetings and the attendance of each director at every board and board committee meeting, are disclosed in this Report.
- 1.5 Once a year, an executive session is arranged for the non-executive directors (NEDs) to meet without the presence of management and executive directors to review any matters that they wish to raise privately. The session is chaired by the chairman of the NC.

#### DIRECTOR TRAINING

- 1.6 SGX conducts a comprehensive orientation programme to familiarise new directors with SGX's business and governance practices. The aim of the orientation programme is to give directors a better understanding of SGX's businesses and allow them to assimilate into their new roles.
- 1.7 Each director is provided with an annually updated manual containing board and company policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving SGX, prohibition on dealings in SGX's securities and restrictions on the disclosure of price-sensitive information. Directors are also informed of regulatory changes initiated by or affecting SGX.
- 1.8 SGX has an on-going training budget for directors to receive further relevant training of their choice in connection with their duties – relevant courses include programmes run by the Singapore Institute of Directors. Directors are also welcome to request further explanations, briefings, or information on any aspect of SGX's operations or business issues from management.
- 1.9 SGX regards the collective effort to assess the board as detailed under paragraph 5.1, as an essential component of director development. It forms an active, on-the-job training session where directors have access to their own and management's comments on the board's effectiveness and benchmarking studies comparing board and governance practices of SGX with other listed companies.

#### PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

- 2.1 The board comprises 12 directors. The Chairman and the CEO are the only executive directors, while the remaining 10 directors are non-executive and independent of SGX.
- 2.2 Each director has been appointed on the strength of his calibre, experience and potential to contribute to SGX and its businesses. Please refer to the "Board of Directors" section of the Annual Report for the directors' profiles.
- 2.3 Each of SGX's directors brings valuable insights from different perspectives vital to the strategic interests of SGX.
- 2.4 The board considers that the present board size and number of committees facilitate effective decision-making and are appropriate for the nature and scope of SGX's operations. The board also considers that its directors possess the necessary competencies to lead and govern SGX effectively.

**PRINCIPLE 3: CHAIRMAN AND CEO**

- 3.1 The roles of the Chairman and CEO are separate and their responsibilities are clearly defined to ensure a balance of power and authority within SGX.
- 3.2 The Chairman manages the business of the board and the board committees, and monitors the translation of the board's decisions and wishes into executive action.
- 3.3 The Chairman approves the agendas for board and board committee meetings, and exercises control over the quality, quantity and timeliness of information flow between the board and management.
- 3.4 The CEO manages the businesses of the company, and implements the board's decisions. The CEO has appointed an executive committee (EXCO), comprising senior management executives, to assist him. The CEO is chairman of the EXCO. The CEO and the EXCO are responsible for the day-to-day operation and administration of SGX.

**PRINCIPLE 4: BOARD MEMBERSHIP**

- 4.1 The NC's main roles are to ensure a rigorous process of board appointments and re-appointments, the determination of independence of each director, and identification of new directors who have the appropriate knowledge, experience and skills to contribute effectively to the board. The NC also reviews the process of succession planning for the organisation.
- 4.2 The NC is chaired by Mr Low Check Kian, an independent NED. It comprises five directors, the majority of whom are independent.
- 4.3 The NC recommends all appointments and re-appointments of directors to the board and board committees. As an exchange holding company, all appointments and re-appointments to the board, the NC and the CC, are subject to the approval of SGX's regulator, the Monetary Authority of Singapore (MAS).
- 4.4 All NEDs are appointed to the board by way of a formal letter of appointment indicating the amount of time commitment required and the scope of duties.
- 4.5 The NC conducts an annual review of director independence. Based on the Code's criteria for independence, the NC has ascertained that all NEDs are independent. The directors' present and past directorships are disclosed in the Annual Report.
- 4.6 In addition, members of the CC are held to a more stringent independence standard, which is set out in the Supplemental Deed of Undertaking given by SGX-ST to MAS on 25 November 2004. The original Deed and Supplemental Deed are posted on SGX's website. The Supplemental Deed

provides that members of the CC must be non-executive, and independent of certain business and management relationships with SGX and its subsidiaries. No CC member can have connections with SGX member firms or related companies of SGX member firms. A majority of CC members must not be connected to any substantial shareholder of SGX. The NC has ascertained that all members of the CC are independent according to this standard.

- 4.7 As a matter of policy, NEDs are expected to serve for four to six years. The NC may recommend the extension of a director's service. SGX has recently developed a set of policy and procedures for the appointment of NEDs in response to the upcoming changes to the Code. They are posted on SGX's website.
- 4.8 SGX places importance on the board renewal process. Since SGX's listing in 2000, all but three members of the original board have been replaced with new directors.

#### **PRINCIPLE 5: BOARD PERFORMANCE**

- 5.1 For the third year running, SGX commissioned an independent consultant to conduct a formal and independent assessment of the functions and effectiveness of the board as a whole, based on evaluations by each director and EXCO member. The assessment report was reviewed by the board and the recommendations duly noted.
- 5.2 The board has decided that the financial indicator to use as a measure of its performance is total shareholder return (TSR). The statistics on TSR of SGX are found in the "Operating and Financial Review" section of the Annual Report.
- 5.3 The assessment of each NED's performance is undertaken by the Chairman and the results of the assessment are discussed with the NC chairman. The criteria for assessment include attendance record, intensity of participation at meetings, the quality of interventions, and special contributions.
- 5.4 The assessment of the Chairman's and the CEO's performance is undertaken by the RC, and the results are reviewed by the board.

#### **PRINCIPLE 6: ACCESS TO INFORMATION**

- 6.1 Proposals to the board for decision or mandate sought by management, are in the form of memos that give the facts, analysis, resources needed, expected outcomes, conclusions and recommendations.
- 6.2 Board and board committee papers are distributed a week in advance of the meeting to directors. Staff who can provide additional insight into matters to be discussed will be present at the relevant time during the

board and board committee meetings. Draft agendas for board and board committee meetings are circulated to EXCO and board committee members respectively, in advance, in order for them to add items to the agenda.

- 6.3 Additionally, analyst reports on SGX are forwarded to the board every quarter in order for directors to keep abreast of analysts' views on SGX's performance.
- 6.4 The Company Secretary's role is to advise the board through the Chairman on all governance matters, ensuring that legal and regulatory requirements as well as board policies and procedures are complied with; and facilitating and organising directors' induction and training. Where directors, whether individually or as a group, require independent professional advice, the Company Secretary will appoint a professional adviser with costs to be borne by SGX. The Company Secretary attends all board meetings.
- 6.5 Board interaction with, and independent access to, senior management are encouraged. SGX will be organising a directors' off-site with senior management annually. EXCO members attend board meetings. In addition, board members have the contact details of each EXCO member.

**PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES**

- 7.1 The RC reviews matters concerning board and CEO remuneration. The RC approves the framework of remuneration for the entire organisation including the structuring of long-term incentive plans. The RC also approves SGX's annual increment and variable bonus pools for distribution to employees of all grades.
- 7.2 Mr Ng Kee Choe, an independent director, chairs the RC. Mr Ng has many years of experience in senior management positions in a leading Singaporean commercial bank including dealing with remuneration issues. He has also chaired or sat on the remuneration committees of other listed companies. The majority of the RC are independent. No RC member or any director is involved in deliberations in respect of any remuneration, compensation, options or any form of benefits to be granted to him.
- 7.3 The RC has access to appropriate advice from the Head of Human Resources, who attends all RC meetings.
- 7.4 The NC, together with the RC chairman, reviews and recommends to the board the specific remuneration packages for executive directors and the CEO upon recruitment. Subsequently, annual increments, variable bonus, share option grants and other incentive awards, are reviewed by the RC for recommendation to the board.

**PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION**

- 8.1 NEDs are remunerated under a framework of basic and attendance fees for serving on the board and board committees.  
The parameters for directors' fees are as follows:  
(a) basic fee – \$30,000 per annum; and  
(b) attendance fee – \$1,200 per meeting except for the AC.
- 8.2 The AC chairman and the AC members receive additional basic fees (of \$15,000 and \$7,500 respectively) to take into account the nature of their responsibilities and the greater frequency of meetings in light of SGX's quarterly reporting practice. They do not receive attendance fees for AC meetings.
- 8.3 Fees for NEDs are subject to the approval of shareholders at the AGM. Executive directors do not receive directors' fees. A breakdown of the fees payable to each director is given at the "Remuneration Report" section of the Annual Report.
- 8.4 NEDs are required to seek nomination and re-election at regular intervals. No compensation is payable for the early termination of an NED.
- 8.5 The CEO's contract<sup>1</sup> was extended, and revised, by the board in September 2004, before its due expiry in February 2006. The new term runs from 1 January 2005 to 31 December 2007. In line with market practice for fixed-term contracts, compensation will be payable up to the expiry of the contract should the CEO's contract be prematurely terminated through no fault of his.
- 8.6 The Chairman has a service contract for the duration of his appointment as a director. There are no compensation provisions for the termination of the Chairman's contract.
- 8.7 Both the CEO's and the Chairman's service contracts have a variable component linked to performance.
- 8.8 The RC administers and is responsible for the allocation of options under the Employee Share Option Scheme (ESOS). Although the ESOS rules allow grants to NEDs, none of the NEDs have been granted share options. Accordingly, the RC is able to exercise impartial and objective judgment in the grant of share options under the ESOS as there is no self-interest involved.

**PRINCIPLE 9: DISCLOSURE ON REMUNERATION**

- 9.1 Please refer to the "Remuneration Report" section of the Annual Report for disclosure of the remuneration of the executive directors and the EXCO.

<sup>1</sup>For details of share options granted to the CEO, please refer to Note 13(e) of the Audited Accounts.

**PRINCIPLE 10: ACCOUNTABILITY**

- 10.1 Management provides directors with a monthly financial management report, which includes the monthly management accounts, other financial statements and an analysis of those accounts. The report is submitted within 20 days of the month end.
- 10.2 The board provides shareholders with quarterly and annual financial reports. Results for the first three quarters are released to shareholders within 30 days of the end of the quarter. Annual results are released within 45 days of the financial year end. In presenting SGX's annual and quarterly financial statements to shareholders, the board aims to provide shareholders with a balanced and clear assessment of SGX's position and prospects.

**PRINCIPLE 11: AUDIT COMMITTEE**

- 11.1 The AC has written terms of reference that are approved by the board and which clearly set out its responsibilities. (See paragraph 11.6 below)
- 11.2 The AC meets at least four times a year with management, in the presence of internal and external auditors.
- 11.3 The AC is chaired by Mr Ho Tian Yee and comprises six members, all of whom are independent NEDs.
- 11.4 The members of the AC collectively have expertise or experience in financial management, and are qualified to discharge the AC's responsibilities.
- 11.5 The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of, management and full discretion to invite any director or senior manager to attend its meetings. The AC has adequate resources to enable it to discharge its responsibilities properly.
- 11.6 The responsibilities of the AC include:
  - (a) to review and approve, on behalf of the board, the company's first three quarters' financial statements;
  - (b) to review the fourth quarter and annual financial statements and to recommend them to the board for approval;
  - (c) to review the scope and results of the external and internal audits, and to evaluate, with the assistance of internal and external auditors, the adequacy of the systems of internal and accounting controls, risk management and compliance;
  - (d) to review the cost effectiveness of the external audit and, where the external auditors provide a substantial volume of non-audit services to the company, to review the nature, extent and costs of such services to avoid an erosion of the independence and objectivity of the external auditors;

- (e) to recommend to the board the nomination of the external auditors and their compensation; and
  - (f) to review the interested person transactions, and improper activities of the company, if any.
- 11.7 In the review of the financial statements for the year ended 30 June 2005, the AC discussed with management and the external auditors the accounting principles that were applied and their judgment of items that might affect the financial statements. Based on the review and discussions, the AC is of the view that the financial statements are fairly presented in conformity with the relevant Singapore accounting standards in all material aspects.
- 11.8 Once a year, the AC meets with internal and external auditors without the presence of management to review any matters that might be raised privately.
- 11.9 The AC has received the requisite information from the external auditors evidencing the latter's independence. It has also reviewed the volume and nature of non-audit services provided by the external auditors during the current financial year. Based on this information, the AC is satisfied that the financial, professional and business relationships between the company and the external auditors will not prejudice the independence and objectivity of the external auditors. Their re-nomination is therefore recommended by the AC.

#### **PRINCIPLE 12: INTERNAL CONTROLS**

- 12.1 SGX's control environment includes an organisational framework that sets out clearly the roles and responsibilities, reporting lines and delegated authorities of management and staff. The related policies and procedures are documented and disseminated to staff for their compliance. Staff are also made aware of the need to comply with SGX's core corporate values.
- 12.2 Internal and external auditors conduct regular reviews of the system of internal controls and significant internal control weaknesses are brought to the attention of the AC and to senior management for remedial action. Additionally the RMC is notified of deficiencies in the risk management processes.
- 12.3 The Compliance function assists in maintaining a strong compliance culture in SGX both in terms of regulations as well as SGX's compliance policies.
- 12.4 In August 2004, the board established the RMC to review and to approve the appropriate risk appetite for SGX to achieve its business strategy. In July 2004, SGX commenced the development of an enterprise-wide risk management framework to enhance its risk management capabilities. The



key risks facing SGX have been identified and action plans have been put in place to mitigate these risks. Assessments are underway to identify risks at the process levels and to assess the controls that are in place to mitigate these risks. Additional controls will be implemented where necessary. Awareness and ownership of risks and controls by the relevant business and support functions have been further enhanced. SGX's Internal Audit (IA) department will perform independent reviews of the risks and controls identified to provide reasonable assurance to management and the AC that the risks and controls have been adequately addressed.

- 12.5 Based on the information provided to the AC, nothing has come to the AC's attention to cause the AC to believe that the system of internal controls and risk management is inadequate.

**PRINCIPLE 13: INTERNAL AUDIT**

- 13.1 IA is an independent function within SGX which reports directly to the AC on audit matters, and to the CEO on administrative matters.
- 13.2 IA operates within the framework stated in its Internal Audit Charter which is approved by the AC. Its mission is to provide independent and reasonable assurance to the AC and management that SGX's risk management, controls and governance processes are adequate and effective. In addition, IA is guided by the philosophy of adding value to the work that it does.
- 13.3 IA has adopted the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors and has incorporated these standards into IA's audit practices.
- 13.4 IA plans its internal audit schedules annually in consultation with, but independent of, management and its plan is submitted to and approved by the AC.
- 13.5 Its plans are aligned to the business objectives of SGX. The audit scope is driven primarily from a risk-based audit approach, with audit resources being focused on higher risk assignments. IA also participates in the development of major systems and new products and services, as well as outsourcing projects, to evaluate the risks, and to ensure that adequate mitigating controls are in place.
- 13.6 IA reports are distributed to the AC, management and the external auditors as and when issued. These reports are discussed with senior management periodically, and with the AC quarterly.
- 13.7 IA works closely with the external auditors to discuss IA's audit scope and findings as well as to co-ordinate their specific audit efforts to achieve maximum synergies. IA also works closely with MAS and shares its findings with them.

- 13.8 Supervisory reports issued by MAS, external auditors and IA are actively followed up for implementation by management based on the agreed timelines.
- 13.9 The AC is satisfied that IA has adequate resources to perform its functions, and has appropriate standing within SGX.

**PRINCIPLE 14: COMMUNICATION WITH SHAREHOLDERS**

- 14.1 SGX adopts the practice of regularly communicating major developments in its businesses and operations through SGXNET and where appropriate, also direct to shareholders, other investors, analysts, the media, the public and its employees.
- 14.2 SGX issues announcements and news releases on an immediate basis where required under the Listing Manual.
- 14.3 SGX does not practise selective disclosure of material information. Material information is excluded from briefings with investors or analysts, unless it has been publicly released either before, or concurrently with, such meetings. All materials on SGX's quarterly financial results, and webcasts of SGX's half-year and full-year results briefings for analysts and media, are available on SGX's website.
- 14.4 For details on SGX's communication with its shareholders, please refer to the "Investor Relations" section of the "Operating and Financial Review" in the Annual Report.

**PRINCIPLE 15: GREATER SHAREHOLDER PARTICIPATION**

- 15.1 The Articles allow a shareholder to appoint up to two proxies to attend and vote in his place at general meetings. Prior to each AGM, a shareholders' forum is made available on the SGX website to facilitate communication with shareholders on matters that concern them.
- 15.2 The board and management are on hand at general meetings to address questions by shareholders. The external auditors are also present to assist the board.
- 15.3 Additionally, shareholders may view the minutes of general meetings, and a summary of the questions and answers raised at general meetings, on the SGX website.

**16. CODE ON SHARE DEALING AND INTERESTED PERSON TRANSACTION (IPT) POLICY**

- 16.1 SGX has adopted internal codes which prohibit dealings in SGX's securities by directors and employees and their "connected persons" for a period of just over one month before the announcement of SGX's quarterly or half-yearly financial results. For year-end results, the period of prohibition is just over two months. Staff or their "connected persons",

who want to trade securities of any company listed on SGX-ST, must seek prior approval from management. SGX believes that it has not only complied with the SGX-ST Best Practices Guide, but with industry best practices.

16.2 SGX has put in place an internal policy in respect of interested person transactions of SGX. There were no IPTs during the financial year.

**17. CONFLICTS COMMITTEE**

17.1 The principal responsibility of the CC was to 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 the company's shares on SGX-ST.

17.2 In November 2004, the CC's role was expanded to address conflicts and potential conflicts between SGX's commercial objectives and regulatory responsibilities. This responsibility includes reviewing the adequacy of arrangements within the SGX group to deal with those conflicts, perceived or actual, and carrying out regular reviews of the adequacy of regulatory plans, budget and resources. The CC's terms of reference were revised accordingly.

17.3 The CC must notify MAS of any conflict arising from the listing of SGX shares on SGX-ST. To-date, no such conflict has been identified.

17.4 The CC is chaired by Mr Robert Owen, an independent NED.

**18. APPEALS COMMITTEE**

18.1 The Appeals Committee decides on appeals against the decisions of the disciplinary tribunals of the company. One appeal was filed and heard last year.

**MEETING ATTENDANCE REPORT**

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee		Risk Mgmt Committee		Conflicts Committee	
	Held	Present	Held	Present	Held	Present	Held	Present	Held	Present	Held	Present
J Y Pillay	8	8			5	5	4	4	3	3	*2	*2
Hsieh Fu Hua	8	8			*5	*5	4	4	3	3	*2	*2
Ho Tian Yee	8	8	4	4	5	5			2	1		
Low Check Kian	8	6			5	5	4	3			2	2
Tang Wee Loke	8	7	4	4								
Loh Boon Chye	8	8	4	3	3	2			3	3		
Ng Kee Choe	8	7	1	0	5	3	4	4	3	3		
Geoffrey Wong	8	6	4	3			2	2				
Lee Hsien Yang <sup>1</sup>	5	5	1	1								
Olivia Lum <sup>1</sup>	5	5	3	3							2	2
Robert Owen <sup>1</sup>	5	4							2	2	2	2
Chew Choon Seng <sup>2</sup>	3	3					1	1				
Wong Ngit Liong <sup>4</sup>	5	5			1	1	3	3				
Richard Gnodde <sup>3</sup>	3	1					2	2				
Goh Yew Lin <sup>3</sup>	3	1	1	0	2	1						
Victor Liew <sup>3</sup>	3	3	1	1	2	1						

*The Appeals Committee decided on one appeal by written decision on 25/08/2004*

<sup>1</sup>Appointed on 17 Sept 2004 <sup>2</sup>Appointed on 1 Dec 2004 <sup>3</sup>Resigned on 17 Sept 2004 <sup>4</sup>Resigned on 1 Dec 2004 \*By invitation

## REMUNERATION REPORT

The Remuneration Committee's (RC) function is to consider and determine, within their terms of reference, all matters concerning the executive directors and senior management remuneration programme, of the Company and its wholly-owned subsidiaries. The committee comprises the following SGX directors:

Ng Kee Choe (*Chairman*)  
J Y Pillay  
Hsieh Fu Hua  
Chew Choon Seng  
Low Check Kian  
Geoffrey Wong Ee Kay

SGX adopts a pay-for-performance compensation philosophy, built upon organisational and individual performance. For this purpose, both external and internal equity are important in developing, administering and maintaining the reward programmes.

### COMPENSATION MIX

Our compensation framework is made up of four key components:

- Fixed pay
- Short-term incentives
- Long-term incentives
- Benefits

### FIXED PAY

Fixed pay comprises a base salary, annual wage supplement (for non-executives only) and fixed allowances. Our guaranteed base is pegged to the 50th percentile of the reference market, comprising the Singapore Banking and Financial Services Industry.

### SHORT-TERM INCENTIVES

Short-term incentives take the form of an annual variable cash bonus. The variable bonus pool comprises two components:

- (i) a budgeted portion
- (ii) a funded portion which is derived by taking a percentage of the Net Profit Before Tax (NPBT).

The allocation of the variable bonus is based on the individual performance of employees and their contribution towards the achievement of the Company's performance.

#### LONG-TERM INCENTIVES

Long-term incentives are granted annually in the form of performance share options to senior management and high performing employees. We are also looking at other incentive schemes to motivate, reward and retain key talent in SGX.

#### BENEFITS

Benefits provided for employees are comparable with local market practices. These include medical, dental, club and holiday subsidies, and a group insurance scheme.

#### SGX'S SHARE OPTION PLAN (the Scheme)

The Scheme is administered by the RC and was approved at the Extraordinary General Meeting (EGM) of SGX on 1 November 2000.

#### SCHEME FOR GROUP EMPLOYEES

[as defined in the rules of SGX Share Option Plan (Rules)]

Under the Scheme, options granted to Group Employees may be exercised two years after the date of the grant and will have a term of no longer than seven years from the date of grant.

#### RESTRICTIONS

The aggregate nominal amount of new SGX shares over which options may be granted under the Scheme on any date, when added to the nominal amount of new SGX shares issued and issuable in respect of all options granted under the Scheme shall not exceed 15% of SGX's issued share capital on the day preceding the relevant date of grant. The terms and conditions of the options granted are in accordance with the Scheme duly approved by the SGX shareholders at the EGM and as modified by the committee from time to time. The subscription price of an option will be equal to or more than the Market Price. Market Price is the average of the closing prices of SGX's ordinary shares on Singapore Exchange Securities Trading Limited (SGX-ST) over five consecutive market days immediately preceding the date of grant of that option.

**DISCLOSURE ON DIRECTORS' REMUNERATION**  
(including Executive Directors)

The table below shows the gross remuneration (in terms of fixed pay, variable bonus and other benefits-in-kind) of two Executive Directors and 14 Non-Executive Directors of the Company for FY2005.

Executive	Fixed Pay	Variable Bonus	Benefits-in-Kind	Total
J Y Pillay	\$542,205	\$650,000	\$5,450	\$1,197,655
Hsieh Fu Hua	\$757,602	\$1,650,000	\$13,540	\$2,421,142
<b>Non-Executive*</b>	<b>Directors' Fees</b>			
Ho Tian Yee	\$61,800			
Loh Boon Chye	\$53,100			
Low Check Kian	\$49,200			
Ng Kee Choe	\$51,963			
Tang Wee Loke	\$45,900			
Geoffrey Wong Ee Kay	\$47,100			
Lee Hsien Yang	\$33,082**			
Olivia Lum Ooi Lin	\$38,088**			
Robert Owen	\$33,350**			
Chew Choon Seng	\$22,300**			
Richard Gnodde	\$ 9,850**			
Goh Yew Lin	\$10,213**			
Victor Liew Cheng San	\$12,613**			
Wong Ngit Liong	\$23,300**			
<b>Total</b>	<b>\$491,859</b>			

\*The Non-Executive Directors' fees are based on the framework of fees and the directors' attendance report found in the Corporate Governance Report. The total amount is subject to approval at the Annual General Meeting.

\*\*Pro-rated fees (rounded up to the nearest hundred) paid to directors who served less than the full financial year.

**DISCLOSURE ON EXECUTIVE REMUNERATION**

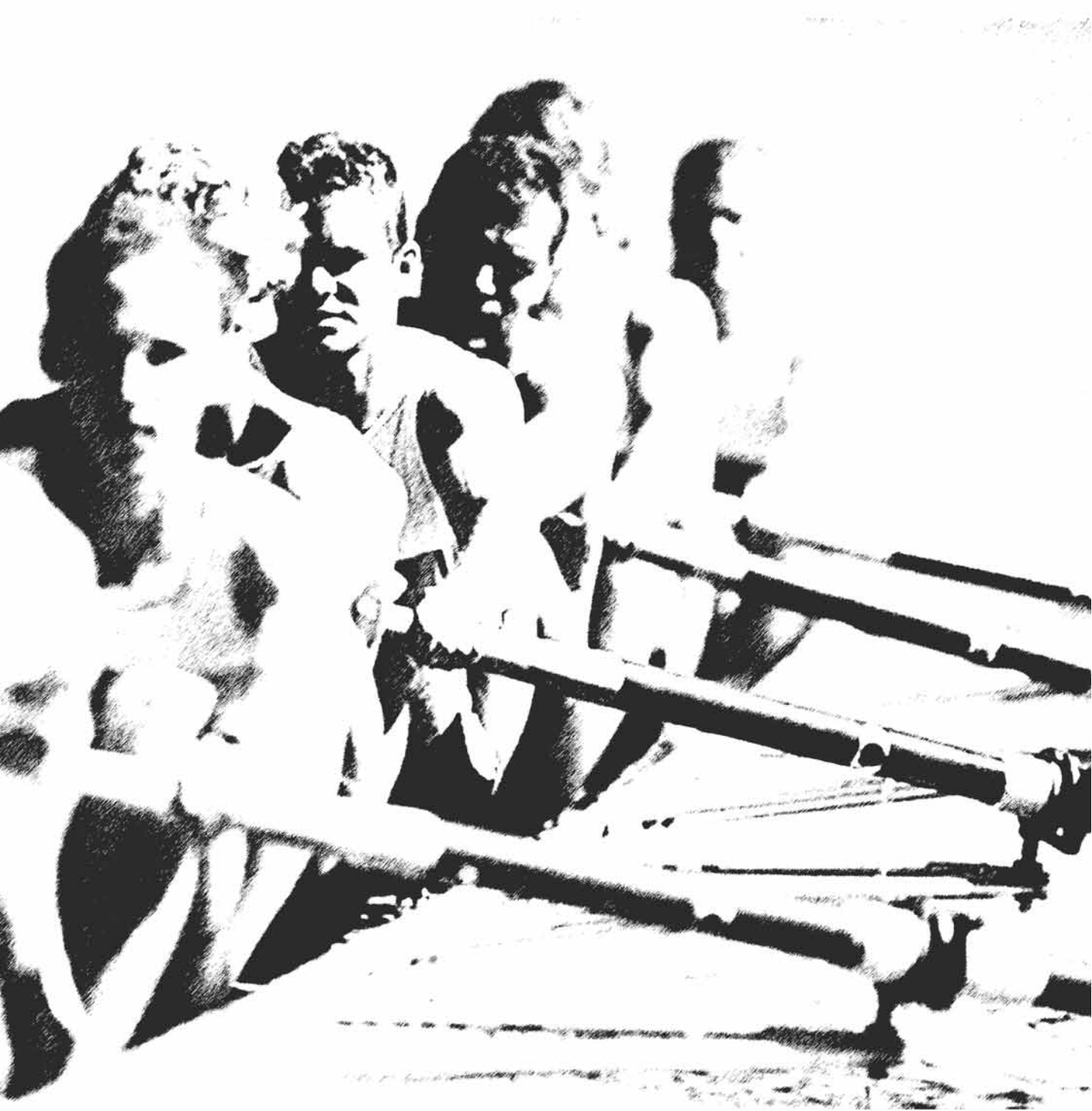
The table below shows the gross remuneration (in terms of fixed pay, variable bonus and other benefits-in-kind) received by the Executive Committee (EXCO) members of the Group in respect of the financial year ended 30 June 2005 in bands of \$150,000. Instead of only disclosing the pay of the top five executives, SGX has chosen to disclose the pay of all its EXCO members.

Remuneration Band and Name of EXCO Member	Fixed Pay	Variable Bonus <sup>#</sup>	Benefits-in-Kind
\$850,000 to \$1,000,000			
Ang Swee Tian	56%	43%	1%
Seck Wai Kwong	50%	49%	1%
\$700,000 to \$849,999			
Gan Seow Ann	52%	47%	1%
\$550,000 to \$699,999			
Daniel Tan Bak Hiang	57%	42%	1%
\$400,000 to \$549,999			
Chew Hong Gian	55%	44%	1%
Linus Koh Kia Meng <sup>##</sup>	99%	0%	1%
Yeo Lian Sim <sup>##</sup>	99%	0%	1%

The remuneration band excludes options granted.

<sup>#</sup> The Variable Bonus disclosed are based on actual payments made in the financial year relating to remuneration of the preceding year.

<sup>##</sup> Linus Koh Kia Meng and Yeo Lian Sim joined SGX on 20 May 2004 and 1 July 2004 respectively. Variable Bonus to be paid only in September 2005.



# strategic growth : gaining momentum

WE AIM TO SERVE OUR CUSTOMERS  
THROUGH THREE KEY STRATEGIC  
OBJECTIVES – DELIVERY  
EXCELLENCE, DEVELOPING AN  
ASIAN GATEWAY AND GROWING  
OUR DOMESTIC MARKET.





*I am into my third year at SGX and I find that the understanding of our business becomes increasingly lucid when we meet our customers. An overseas listing aspirant who came to see us recently held the view that Singapore is an inflexibly regulated market. After hearing us, his views took a complete turnaround and his power generation business in Asia will soon seek a listing on our securities market.*

He grasped that the proposition which SGX, MAS, IE Singapore and EDB<sup>1</sup> as a whole offer foreign companies is a total package. This includes a supportive capital market, responsive service and developed business infrastructure which together aid the growth and expansion of businesses. This is pivotal to building an enduring marketplace.

In the past year, SGX has worked to serve its customers through three key strategic objectives – Delivery Excellence, Developing an Asian Gateway and Growing Our Domestic Market.

#### DELIVERY EXCELLENCE

The success of strategic plans lies in their execution. We have described this at SGX as “Delivery Excellence” in our services to the customer. This year, we have worked on building and renewing our critical regulatory and infrastructural platforms.

Our commitment to develop a quality marketplace is unequivocal. In line with our annual efforts, we released a set of Listing Rules enhancements for public consultation. The measures were aimed at strengthening corporate governance and raising the responsibilities of intermediaries. These are important in continually improving the robustness of our marketplace.

While rules and regulations are important for investor protection, it is ultimately the enforcement of them that sets a market apart. Research by a senior policy adviser of the World Bank, recently presented at a forum of world exchanges in Beijing, emphasised the importance of enforcement over more rules and regulations. The ongoing proceedings of the China Aviation Oil (S) Corp Ltd case and others have demonstrated that rules and regulations in SGX and Singapore will be enforced expeditiously and resolutely.

In our derivatives market, earlier attempts to grow our electronic market has been stymied by poor liquidity because of the predominance of our open outcry mode of trading. The exceedingly rapid migration of liquidity from floor to screen in the US market left no doubt that a similar transformation in our market had to be executed swiftly to secure our future. This drove the launch of our new trading engine SGX QUEST-DT<sup>2</sup> and the subsequent migration of the Nikkei 225 and MSCI Taiwan contracts from floor to screen in a matter of months. The respective trading pits have since closed and our two anchor contracts have enjoyed improved market share.

For the past few years, we have embarked on a number of front-end infrastructure initiatives aimed at enhancing our capabilities. Having launched the SGX QUEST-DT trading engine in August 2004, SGX QUEST-ST<sup>3</sup> will operate in early 2006. SGXTrade (an order management system for brokers to access the securities market) will commence by the end of this year. Our back-end services will also undergo a renewal where market participants will be able to achieve a higher degree of Straight-Through-Processing with automated central pre-matching services.

#### **DEVELOPING AN ASIAN GATEWAY**

Many have lamented the small size of our domestic market. It is less appreciated that SGX sits within an undoubtedly successful financial centre. What we lack in size is compensated for by stature and reach beyond our shores. This drives our strategic focus to be an “Asian Gateway” which has three main aspects.

<sup>2</sup>QUEST-DT – QUEST-Derivatives Trading

<sup>3</sup>QUEST-ST – QUEST-Securities Trading

1) RISK MANAGEMENT CENTRE

The development of capital markets in Asia has been uneven. The priority for many countries has been capital formation, as opposed to risk transfer. This is in line with their respective stages of economic development. With an established clearing capability and strong credit standing, SGX has become an offshore risk management centre. Our offering of Asian equity index and interest rate products allow market participants to benefit from cross-margining savings and trade efficiently in an offshore market complementing the onshore market. We will further increase our product range beginning with the CNX Nifty index product. This will be followed by an over-the-counter clearing facility commencing with commodities products in early 2006.

*“A domestic listing for such companies is not immediately obvious and SGX has proven to be a de facto home market. With a critical mass of foreign listings, we are seeing the development of an Asian listing platform for growth companies.”*

2) FOREIGN LISTINGS

In the securities market, foreign listings account for more than a quarter of our total number of listings, of which Greater China accounts for over 70%. Efforts to broaden our market geographically and sectorally have led to listings from India, Korea, Europe and Israel, as well as shipping and infrastructure. Our results are attributed in part to the emergence of transnational companies such as Olam International and LMA International, which have management, operations, manufacturing and distribution situated in various countries. A domestic listing for such companies is not immediately obvious and SGX has proven to be a de facto home market. With a critical mass of foreign listings, we are seeing the development of an Asian listing platform for growth companies.

3) PARTNERSHIPS AND LINKAGES

In the wake of the growth of China and India, regional integration becomes increasingly important as ASEAN seeks to heighten its economic profile and compete for international business. SGX's building of a co-trading link with Bursa Malaysia is aimed in this direction. We hope also to bring products from global markets to our region by building collaborative arrangements with international exchanges, such as the existing one with the Chicago Mercantile Exchange and a potential joint venture with a leading commodities exchange.

#### **GROWING OUR DOMESTIC MARKET**

Our domestic market has seen significant growth in derivatives trading in the past year. The structured warrants market turnover value increased by 22 times, accounting for 9.6% of total derivatives clearing revenue. This growth was fuelled by the active participation of international issuers and retail customers. This encouraging development has given a fillip to our plans for building the retail participation in our market. In the coming year, we plan to introduce Singapore equity index options. We will also be exploring new structured products and distribution channels for greater retail penetration.

Securitised funds have also seen good adoption, especially in the area of REITs which have continued to grow and account for \$9.5 billion in year-end market capitalisation. We also saw the listing of our first infrastructure fund which raised \$730 million.

#### **FINANCIAL PERFORMANCE**

Our net profit after tax in this financial year was \$109.5 million, in line with market expectations. To put our results in a longer term perspective, since our listing five years ago, the net earnings this year is second only to the record year in FY2004 which benefited from the post-SARS rebound. Our year-end return on equity has also improved to a high of 23.1%, exceeding the previous high of 20.8% in FY2004.

We returned a total of 23.5 cents<sup>4</sup> over the past year and 65.89 cents<sup>4</sup> over the last three financial years in net dividends per share to shareholders. The annualised total shareholder return over the respective periods was 43.9% and 35.6%. By comparison, the STI index returned 26.1% and 16.3% for the same periods.

#### **ACKNOWLEDGEMENTS**

I started this message underscoring the importance of execution. This is critically dependent on the quality of our staff whom we have worked to develop and groom. Overall, we aim to build a corporate culture with integrity, business sense and passion to serve our marketplace. I would like to thank all my colleagues for their dedication to service.

We would also like to thank our members and customers for supporting our marketplace, our shareholders for their confidence in us, our directors for rigorously holding management accountable and our Chairman for his eagle-eyed guidance.



**Hsieh Fu Hua**  
Chief Executive Officer  
28 July 2005

<sup>4</sup> This includes 4.3 cents proposed net final dividend which is to be approved at the 22 September 2005 Annual General Meeting.

*All figures are in Singapore dollars unless otherwise stated*

OVERVIEW

SGX has come a long way since it was formed on 1 December 1999 by the demutualisation and merger of the Stock Exchange of Singapore (SES) and the Singapore International Monetary Exchange (SIMEX). On 23 November 2000, SGX listed via a public offer and a private placement. We own and operate the only integrated securities and derivatives exchange in Singapore together with related clearing houses and a central depository.

The securities exchange was the first fully electronic and floorless exchange in Asia and is home to Singapore's leading listed companies. SGX has also been at the forefront of exchanges globally in attracting issuers from other countries. In addition, we are rapidly emerging as Asia's offshore risk management centre as our international derivatives market, particularly our extensive range of Asian-based products, complements the Asian onshore markets.

We continue to be ranked among Singapore's top 20 companies in The Business Times Corporate Transparency Index<sup>1</sup>. In December 2004, SGX participated in a perception study of European fund managers by investor relations firm, Orient Capital. Among 14 Australasian companies, including listed exchanges in Asia, we were ranked first in corporate governance and investor relations.

COMPETITIVE LANDSCAPE

Despite a pattern of growth over the past decade, the global exchange industry is characterised by a trend towards consolidation. This is particularly evident in the bigger, more mature markets of the Northern hemisphere. Even so, the effects of competition have encroached on Asia Pacific. We are now seeing more international players looking to establish beach-heads in our regional markets.

FIGURE 1: ASIA PACIFIC STOCK EXCHANGES

<i>Ranking</i>	<i>Stock Exchange</i>	<i>Market Capitalisation*</i> <i>(US\$ million)</i>
1	Tokyo	3,393,646
2	Osaka	2,195,654
3	Hong Kong	895,298
4	Australia	721,138
5	Korea	496,924
6	Taiwan	456,291
7	Mumbai	425,717
8	National Stock Exchange of India	397,447
9	Shanghai	271,736
10	SGX	235,507

*Source: World Federation of Exchanges*

*\*As at 30 June 2005*

<sup>1</sup>Published in The Business Times, 4 October 2004 issue, Page 6 "SGX is only new entry to Top 20 in latest transparency index" and 11 July 2005 issue, Page 8 "The Business Times Corporate Transparency Index (CTI)".

In response to the dynamics of the marketplace, there is a further trend of exchanges following the route of demutualisation and going public as market operators seek to become more responsive to the demands of a broader array of constituents. At the same time, a key driver behind market development is the adoption of electronic trading, particularly in the derivatives market. This has enabled exchanges to achieve greater market reach and connectivity while, potentially, leading to fewer but larger pools of liquidity.

FIGURE 2: ASIA PACIFIC DERIVATIVES MARKETS

<i>Ranking</i>	<i>Futures Exchange</i>	<i>Volume*</i>
1	Korea	2,303,137,280
2	National Stock Exchange of India	86,563,683
3	Taiwan	67,626,370
4	Sydney	57,961,949
5	Osaka	32,425,834
6	Shanghai	29,730,735
7	<b>SGX</b>	<b>22,775,612</b>
8	Australian Stock Exchange	22,672,211
9	Hong Kong Stock Exchange	20,373,439
10	Tokyo Stock Exchange	19,490,723

*Source: Futures Industry Association*  
*\*For the year ended 30 June 2005*

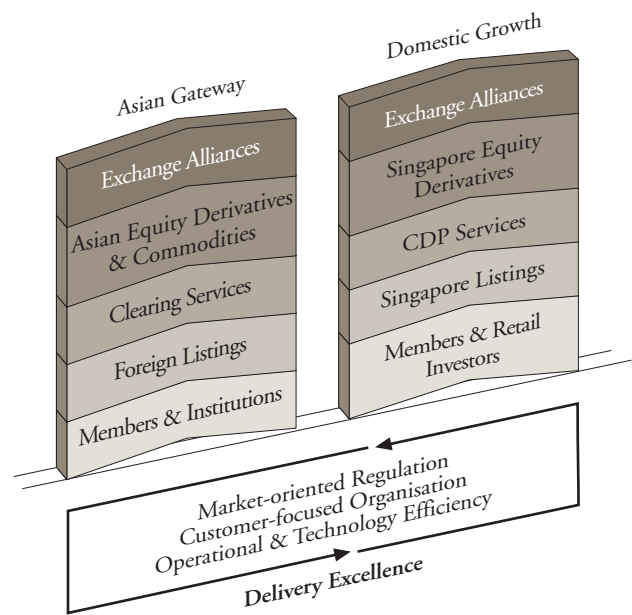
**GROWTH DRIVERS**

These market dynamics have inevitably shaped the course that SGX has charted in response to the needs of our customers. We have, in turn, responded to the challenges by capitalising on the opportunities presented by the shifts in our marketplace. Our strategy of extending our market reach beyond our immediate regional markets is built on three main drivers of growth:

- Developing an Asian platform for growth companies seeking an international listing venue for their capital raising needs;
- Offering a one-stop solution for our customers, seeking to meet their risk management and trading needs in the Asian time zone; and
- Our pioneering approach to exchange linkages that offer international markets an opportunity to pool liquidity in a fragmented and disparate Asian marketplace.

Our three key strategic objectives designed to build a customer-focused SGX will remain: Delivery Excellence, Developing an Asian Gateway and Growing Our Domestic Market (Figure 3).

FIGURE 3: BUILDING AN ENDURING MARKETPLACE



**DELIVERY EXCELLENCE**

**REGULATION: PROMOTING A FAIR AND OPEN MARKETPLACE**

***Disclosure-Based Regime***

Over the past few years, SGX has been working to move our securities market from a merit-based to a disclosure-based regime. A disclosure-based regime operates on the principle that informed investors can generally protect themselves. It recognises that the market is better placed than regulators to decide on the merits of the transactions. It requires full, frank and timely disclosure of information to the investing public.

As the market evolves, we will need to continually revisit the principles and rules underlying a disclosure-based regime to ensure their relevance and effectiveness in meeting market needs, yet taking care not to be overly prescriptive.

***Issuer Regulation***

There have been concerns raised over the quality of some of our issuers listed on SGX following the China Aviation Oil (S) Corp Ltd (CAO) incident.

We would like to assure our shareholders and the investing public that our regulatory framework is robust. We responded swiftly to the CAO incident and concerted action was taken immediately to address the issue. We worked closely with the relevant government authorities to ensure that the due process of law was applied. This approach will continue to be our policy in such situations.

In May 2005, we conducted a public consultation as part of an annual review of our regulatory framework and processes. The consultation focused on the two key areas of enhancing corporate governance and extending the role of intermediaries.

To strengthen our regulatory framework, we released Practice Note 7.3 in August 2004, which reinforces the importance of timely disclosure of material information in a takeover situation.

#### *Market Surveillance and Member Supervision*

SGX conducts surveillance of trading activities of the securities and derivatives markets to detect unusual trading activity and prohibited trading practices or conduct, including insider trading and market manipulation. In the securities market, we utilise a real-time market surveillance system called Securities Markets Automated Research, Trading and Surveillance System (SMARTS), which employs the latest technology to automatically alert us to irregular market behaviour such as unusual price and volume movements. We will extend this system to the derivatives market by the end of 2005.

We have also embarked on a risk-based assessment framework to supervise our members. This framework, to be implemented in the second half of 2005, assesses their financial default risk to our clearing house and the adequacy of their internal control systems and procedures.

#### *Clearing Fee Regulation and Competition Act*

For SGX, the listed company, the Monetary Authority of Singapore (MAS) performs the regulatory and supervisory role.

From 1 July 2005, our securities clearing arm, The Central Depository (Pte) Limited (CDP), is required to obtain prior approval from MAS for any changes to its securities clearing fees. This new rule is not retrospective in nature.

The Government has also introduced The Competition Act, which will come into effect in January 2006. Except for the pricing of our securities clearing fees, the Act may affect our commercial freedom and dealings in future, particularly in the areas where SGX occupies a dominant position.

#### INFRASTRUCTURE: HONING OUR TECHNOLOGICAL AND OPERATIONAL EDGE

Our IT and Operations strategic business units are tasked with the vital twin goals of driving greater efficiency and productivity through innovations to achieve delivery excellence.

#### *IT Strategy*

We are enhancing our sourcing strategy in two areas to improve our efficiency, response time and service quality. First, our IT strategy is transitioning from a “build” to a “buy and adapt”. A prime example is SGX Quotation and Execution



System (SGX QUEST), based on technology developed by OMX and customised to meet our needs. Second, we are studying if outsourcing our data centre would allow us to leverage on the strengths of commercial infrastructure operators.

Looking ahead, we will continue to invest in SGX QUEST, the lynchpin of our Asian Gateway strategy. We plan to launch securities trading on SGX QUEST in the first quarter of 2006. We will then further integrate both securities and derivatives trading.

We are also pursuing open access in back-office processing through a Central Pre-Matching engine. Its implementation, in phases over a period of two years, will allow SGX's brokers and depository agents to develop end-to-end Straight-Through-Processing (STP) of transactions. The availability of open access will also allow participants the choice to use proprietary back-office systems and facilitate the entry of new international participants.

#### *Business Process Re-Engineering*

In January 2005, our Operations team initiated a business process re-engineering project to streamline our clearing and depository functions. The project is expected to be completed at the end of this year.

#### DEVELOPING AN ASIAN GATEWAY

As part of our Asian Gateway strategy, we offer ourselves as a one-stop shop where international market participants can tap Asian growth opportunities through the Singapore marketplace.

#### DERIVATIVES: ASIA'S RISK MANAGEMENT CENTRE

Propelling the growth of our derivatives market was the launch of SGX QUEST in August 2004. SGX QUEST has extended our reach to existing and new derivatives customers around the world. As a result, volume on electronic trading soared to 90% in June 2005 compared to 10% a year ago.

Our members have contributed significantly to the growth of our market for offshore risk management and our successful electronic trading migration. This is clear from the considerable growth in our electronic equity index and other Asian products.

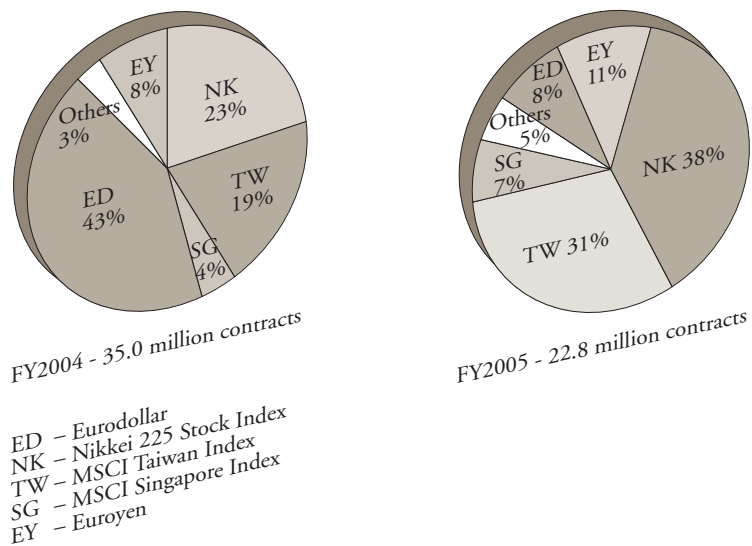
#### *Successful Migration to Electronic Trading*

Several measures were introduced to prepare our open outcry trading community. SGX Electronic Learning Centre, a simulated electronic trading facility for the floor Locals, was launched in August 2004. We also conducted seminars and training for them. At the same time, these floor Locals were provided with electronic hand-held trading devices to access our electronic market while continuing their activities on the trading floor.

These concerted efforts attracted great interest among the Locals in our electronic marketplace. The number of electronic Locals soared from 124 in July 2004 to

459 as at 30 June 2005. Our corporate broking members are stepping up their distribution capabilities to encourage access to our electronic marketplace. The transition from open outcry to electronic trading also led to strong growth in our corporate members. In FY2005, we saw 13 new members in our derivatives market, several of whom are market makers of our electronic products. In addition, there is growing interest from proprietary trading firms to trade or set up shop in Singapore.

FIGURE 4: FUTURES CONTRACTS VOLUME: WELL-DIVERSIFIED PRODUCT RANGE



All open outcry trading at the OUB Centre will cease in September 2005. The trading pit at SGX Centre 1 will be used for any remaining open outcry trading while SGX QUEST’s trading functionalities are being enhanced. Migrating the Euroyen futures and options will form the last phase of our electronic migration campaign.

We foresee no immediate impact on our financials upon the complete migration of all major contracts to the electronic platform. Over time, however, this strategic move will position SGX to further grow our derivatives business through the electronic platform.

*Offering Margin Efficiency*

Our comprehensive range of derivatives products enables us to offer margin efficiency to our customers and enhance their capital efficiency. In FY2005, we started offering margin offsets through inter-commodity spreads across different equity-based contracts. Customers who trade our suite of Asian equity derivatives can now enjoy lower margin funding costs. As new products are added, they will be able to enjoy further efficiencies.

*More Active Role for Market Participants*

We set up the Global Electronic Trading Centre (GETC) in October 2002 as part of our efforts to develop the electronic market. We want market participants to take a more active role in operating services for the electronic market. Hence, we awarded the lease and operations of GETC to REFCO Singapore in June 2005. REFCO Trading Services assumed operations in August 2005.

*New Product Development*

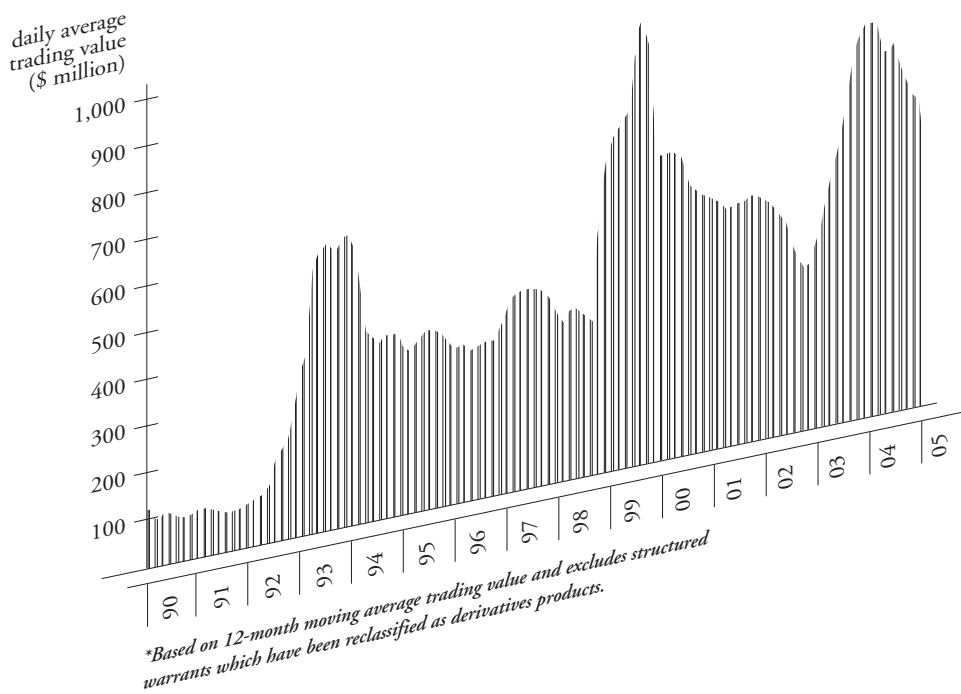
Responding to market demand for an Indian derivatives instrument, we plan to re-launch the CNX Nifty (India) Index futures contract. Working closely with our Indian counterparts and market makers, we expect to roll out the Nifty contract by the end of 2005.

We are developing an over-the-counter clearing facility which we plan to launch in the first quarter of next year. The facility will start off with energy derivatives and forward freight agreements. Asian growth in commodities traded and commodity-linked derivatives is fuelling demand for the central clearing of crude and refined oil and freight products. In this way, we continue to develop new markets that leverage on our existing clearing infrastructure.

GROWING THE SECURITIES MARKET

The STI Index closed at 2212.66 on 30 June 2005, up 20.4% year-on-year. The number of shares traded dropped 40.8% to 148.5 billion (FY2004: 250.8 billion). Still, the securities trading value generated a healthy turnover of \$168.3 billion (FY2004: \$207.8 billion). This reinforces our conviction that the secular growth trend in the securities market remains intact (Figure 5).

FIGURE 5: SECURITIES MARKET DAILY AVERAGE TRADING VALUE\*

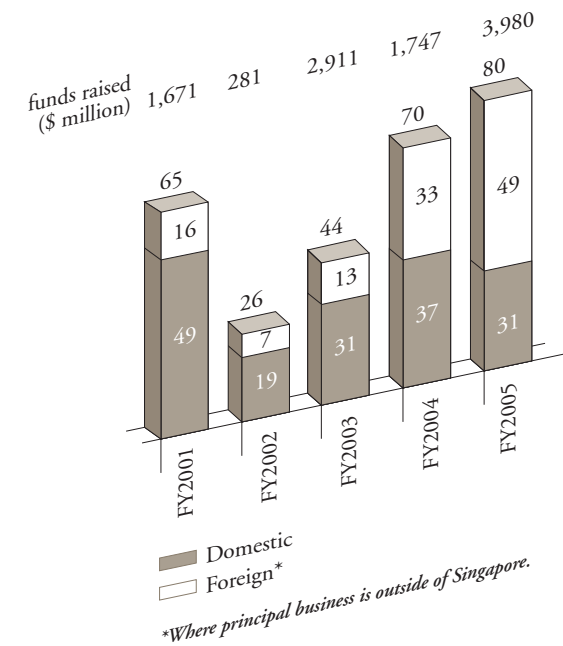


As at 30 June 2005, there were 659 listed companies on SGX. Of these, 30% were foreign companies with their principal business outside Singapore. Coming from Greater China (China, Hong Kong and Taiwan), North Asia, South East Asia, Australia and Europe, they accounted for 24% of SGX total market capitalisation.

*Attracting Growth Companies*

In the past year, we have been aggressively promoting Singapore as a preferred listing venue for foreign issues. In FY2005, the number of new listings rose 14% to 80 (Figure 6). Of these, 61% were foreign companies, including 34 from Greater China. Over the past 12 months, the IPO funds raised from new issues have also increased from \$1.7 billion to approximately \$4.0 billion in FY2005.

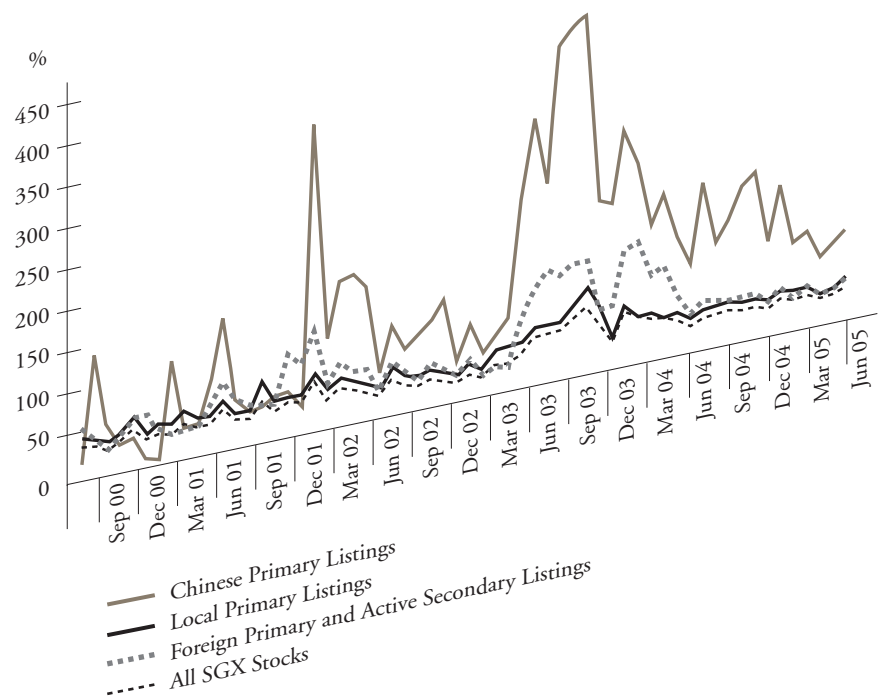
FIGURE 6: IPOS AND FUNDS RAISED



*Harnessing the Greater China Promise*

Greater China remains a promising growth market for SGX. As at 30 June 2005, we have a total of 147 Greater China company listings. We are keen to further grow this market. From China alone, we have a total of 83 companies. As investors remain keen on Chinese companies, the turnover velocity of these companies has been consistently higher than that of the general market (Figure 7). We are looking to attract well-run companies with larger market capitalisation to list here by targeting privately-owned or privatised government organisations.

FIGURE 7: HIGH TURNOVER VELOCITY OF FOREIGN LISTINGS



*Exploring New Markets*

Beyond Greater China, we have widened our net and become attractive to issuers from Korea, India, Europe and Israel. We will continue to create a broader spectrum of investment opportunities. We are also blessed with certain sectoral strengths. Manufacturing, Maritime and Shipping companies listed here tend to attract higher valuations and investor support. SGX has also become a popular home for transnational companies, whose management, operations, manufacturing and distribution are spread across the globe. We believe we can attract more such companies to our fold, including larger issuers and new sectors, like infrastructure.

*Developing Regional Indices*

In November 2004, SGX and global index provider FTSE Group signed a Memorandum of Understanding (MOU) to explore the creation of internationally recognised indices for the Singapore and regional markets. In July 2005, we announced a collaboration among SGX, Bursa Malaysia, Jakarta Stock Exchange, The Philippines Stock Exchange, The Stock Exchange of Thailand and FTSE Group to develop indices for the ASEAN equity markets as a regional grouping. These indices will facilitate the growth of the local and regional markets and provide more opportunities for the creation of new investment products.

*Offering Post-Listing Services*

As an exchange, we are committed to pro-actively educating companies in the rigours of listing and the discipline required to effect post-listing compliance.

In FY2005, we continued to hold a quarterly orientation programme for senior management of newly listed companies to help them better understand SGX’s rules and regulations. Going forward, we will continue fine-tuning this programme for newly listed companies and their officers.

We also organised our first corporate governance seminar in Mandarin, aimed at senior executives of companies already listed or slated for listing on SGX. More than 200 attended the seminars held in Singapore, Beijing and Shenzhen.

To enable our smaller listed companies to benefit from greater research coverage, the SGX-MAS Research Incentive Scheme was launched in December 2003. Following the initial success, a second phase has since been launched. Through this Scheme, more than 1,700 research reports were made available to subscribers (Figure 8), in turn, generating more than 50,000 downloads by the public each month.

FIGURE 8: SGX-MAS RESEARCH INCENTIVE SCHEME

	FY2004	FY2005	<i>Change</i>
Number of Research Firms	9	12	33.3%
Number of Participating Companies	122	187	53.3%
Number of Users	17,000	30,000	76.5%

FORGING ALLIANCES

SGX recognises the need to forge alliances with partners who share our vision of connecting to a larger network of marketplaces. Such links enable investors and market players to easily trade, clear and settle trades through a single trading engine, while enjoying access to other markets and products.

We continue to make progress towards establishing our securities and derivatives trading link with Bursa Malaysia, due to go live in 2006. Such open access between markets is unprecedented in Asia. Another strategic alliance forged in 2005 was the signing of an MOU with the Jakarta Stock Exchange. This MOU will facilitate communication and foster a closer relationship.

GROWING OUR DOMESTIC MARKET

RETAIL STRATEGY

As at 30 June 2005, our CDP held more than 1.26 million accounts, holding 318.7 billion shares worth \$368.8 billion. Of these, 1.2 million are retail accounts. Among them, 670,000 have share balances. An average of 150,000 retail accounts made at least one stock transaction in any three-month period.

Going forward, we will conduct a more comprehensive study of our customer database to assess the potential of the domestic retail market. We aim to develop a strategy to cultivate and grow specific segments to boost retail participation and revenue. To broaden the base of active retail investors, we are continually seeking to grow the range of products that will appeal to them.

*Educating Our Investors*

To develop our retail market, we offer an ongoing programme of investment seminars that help retail investors make educated investment decisions. In the year under review, we organised more than 40 investment workshops, in both English and Mandarin, for over 3,000 investors. A series of more than 20 seminars on structured warrants was also organised to educate investors in this trading instrument. Attracting over 2,000 investors, this programme contributed to the significant growth in this product.

*Structured Warrants: Tapping the Retail Market*

Gaining popularity are structured warrants, an equity derivative, which now account for 15% to 20% of our total market volume (Figure 9). We will continue to work with issuers of warrants to develop this market further.

FIGURE 9: STRUCTURED WARRANTS MARKET

	FY2003	FY2004	FY2005
Number of issues as at 30 June	2	27	252
Number of units traded (million)	61	820	19,269
Value traded (\$ million)	9	240	5,398

*Structured Products: REITs Booming*

Offering a different investment proposition are yield-based products which are fast gaining retail interest. The sterling performance of our real estate investment trusts (REITs) from local and foreign issuers, such as our Suntec REIT, attest to this. Our REITs market will continue to grow as Singapore introduces measures to boost its status as the preferred listing venue in Asia for REITs (Figure 10). Riding on the popularity of yield-based products, we also launched our first Infrastructure Fund in May 2005, which garnered a high level of investor interest.

FIGURE 10: REITS MARKET

	FY2003	FY2004	FY2005
Market capitalisation as at 30 June (\$ billion)	1.5	4.1	9.5
Value traded (\$ million)	612.5	1,650	1,760

**DATA AND INFORMATION SERVICES**

Our core data business is to provide real-time and historical market data of the securities and derivatives market to professionals in the financial industry. Leveraging on our data, we have invested in technology to create new products to diversify our revenue stream and respond to customer needs. A new datafeed product introduced in August 2005 was SGXNews that provides real-time corporate announcements and financial results.

A further enhancement to our information services, the web-based SGXNet, was rolled out in November 2004 to replace MASNET. It allows listed companies

greater flexibility and convenience in submitting announcements securely over the Internet, particularly useful to our growing number of overseas issuers.

We also launched Corporate Data SWIFT service, which delivers corporate action information. In using an internationally recognised standard, market participants can easily extract relevant information, including dividend rates and payment dates, and, in turn, incorporate this into their internal systems for their own STP purposes.

#### **HUMAN RESOURCES**

In the past year, our HR efforts have focused on strengthening our leadership capabilities, developing a talent management framework and fostering a culture of performance built on our corporate values of: Passion for People, Teams, Performance and Customers.

To enhance leadership capabilities, we adopted a strength-based approach. During the year, the extended leadership team, comprising the Executive Committee and Senior Vice Presidents, took part in a “Demands of Leadership” programme. As talent management is at the very heart of our business activities, we developed a talent matrix and appropriate career development paths designed to meet SGX’s future leadership needs.

On the recruitment front, we continue to tap a pipeline of young talent through our Scholarship and Internship programmes. And to build a culture of performance and enduring corporate values, we developed a new performance management strategy and process that revolve around our values. Regular staff dialogues, meet-the-CEO sessions and our in-house newsletter continued to foster communication at all levels of SGX.

#### **CORPORATE SOCIAL RESPONSIBILITY**

We are committed to the larger social and business community and believe strongly in building an organisation with a heart. Our employees have committed their time and effort to community programmes and initiatives, including those SGX spearheads.

#### **THE BULL RUN™**

Our inaugural Bull Run™, launched in October 2004, represented the first community project involving the financial community and SGX-listed companies and the first charity fun run in the Central Business District. It rallied more than 150 organisations, some 2,200 management and staff and raised more than \$2 million, four times the initial target. The proceeds went to the Autism Association (Singapore), The Straits Times School Pocket Money Fund and programmes supported by Community Chest.

SGX also supported the Kuala Lumpur Rat Race 2004, Ernst & Young Entrepreneur of the Year Singapore 2004, 7th Inter-Stockbroking Company Bowling Tournament 2004 and the inaugural JP Morgan Corporate Challenge 2004.



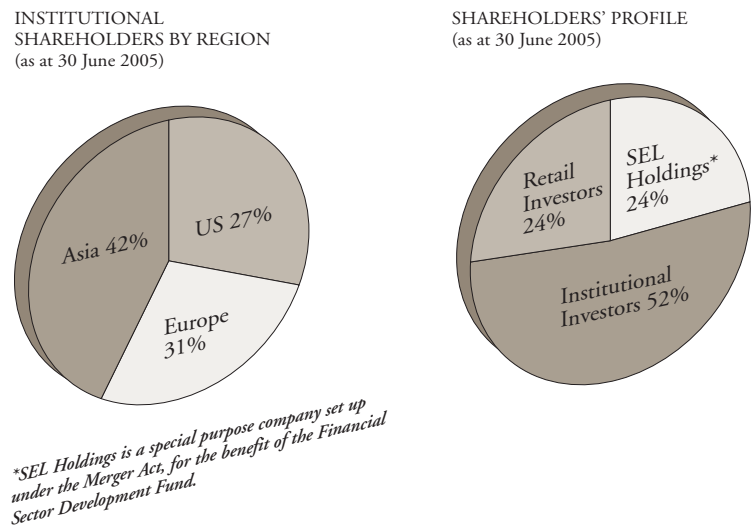
Like all Singaporeans, we were touched and saddened by the tsunami tragedy that swept through the region in 2004. Our staff responded to the call for financial assistance by donating to the Singapore Red Cross Tidal Waves Asia Fund. We also wrote to our Corporate Members and Locals, appealing to them and their staff to contribute generously towards the cause.

INVESTOR RELATIONS

At SGX, our investor relations (IR) approach is characterised by a proactive style of timely and transparent disclosure as well as ongoing dialogue with our shareholders and the investment community. We place a premium on fostering a strong relationship with both our institutional and retail shareholders.

We actively participate in institutional investor conferences around the world. With the significant foreign ownership of our stock, we have added more Continental Europe and US money centres to our IR calendar. Like last year, we plan to provide shareholders with an online feedback channel, three weeks before the Annual General Meeting. In June 2005, SGX participated in a retail investor seminar promoting dividend yield stories. We also held our first IR Open Day to better address our retail shareholders after the release of our annual results on 28 July 2005.

FIGURE 11: OUR WELL-DIVERSIFIED SHAREHOLDER BASE



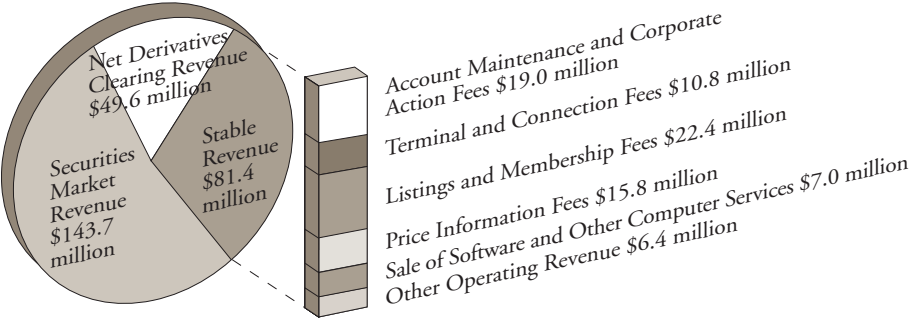
FINANCIAL REVIEW

CREDITABLE PERFORMANCE

SGX turned in a creditable performance under challenging conditions in FY2005. In line with market expectations, the Group achieved a net profit of \$109.5 million (FY2004: \$133.0 million). We achieved this on the back of our efforts to:

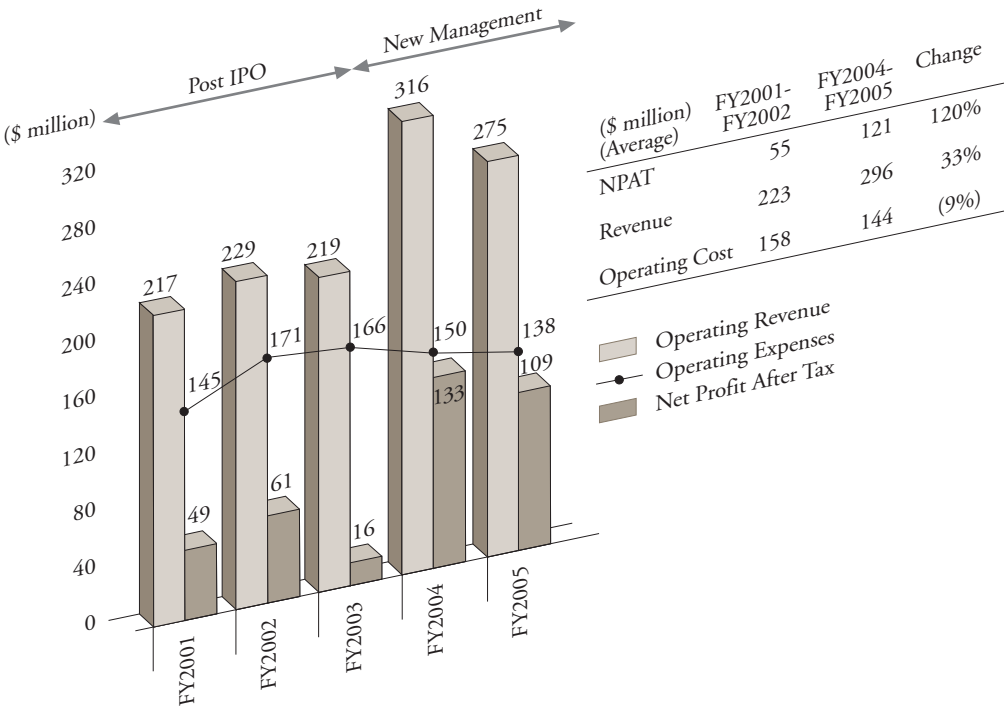
- Grow and diversify our revenue stream (Figure 12);
- Manage costs more diligently; and
- Implement a prudent capital management programme.

FIGURE 12: WELL-DIVERSIFIED REVENUE STREAMS



Despite coming off the FY2004 record year that had benefited from the post-SARS rebound, our business has effectively stepped up in terms of total revenue and profitability since our IPO (Figure 13).

FIGURE 13: STEP UP IN REVENUE AND PROFITABILITY SINCE IPO



*Revenue Reclassification*

Given the evolving nature of our business, we reviewed the classification of our revenue lines. Following the review, we effected the reclassifications in FY2005 (Figure 14) and restated the corresponding figures for FY2003 and FY2004 accordingly.

FIGURE 14: SUMMARY OF REVENUE LINES AFFECTED BY THE RECLASSIFICATION

<i>Revenue Line</i>	<i>Reclassification</i>	<i>Rationale</i>
Structured Warrants		
(a) Clearing fees	(a) From Securities Market Revenue to Net Derivatives Clearing Revenue	Structured warrants, being a derivative of the underlying cash product, should be classified as derivatives business segment.
(b) Non-clearing related income	(b) From Securities Business Segment to Derivatives Business Segment	
Access fees	From Stable Revenue to Securities Market Revenue	With the transition from fixed rental of SESOPs terminals to SGX Access, this service is charged as a percentage of trading value. This revenue stream is now directly correlated with securities market turnover.
Buying-in brokerage	From Stable Revenue to Securities Market Revenue	This revenue has demonstrated strong correlation with securities market turnover.
Corporate action processing related revenue	From Securities Market Revenue to Stable Revenue	This revenue is generally more stable in nature and has relatively low correlation with securities market turnover.

*(Stable revenue is revenue that is considered less volatile.)*

**SECURITIES MARKET REVENUE**

Coming off the strong post-SARS rebound in FY2004, the securities market trading sentiment in FY2005 was clouded by uncertainties surrounding the rising crude oil prices and the prospect of further interest rate hikes. In line with the lower trading turnover, our securities clearing fees fell to \$95.9 million compared to \$141.2 million a year ago. The securities related processing income fell to \$24.3 million from \$30.3 million due to the lower contract processing income. Access fees quadrupled to \$23.5 million compared to \$4.8 million previously. This was mainly due to higher turnover traded via SGX Access following the decommissioning of SESOPs in July 2004 (Figure 15).

FIGURE 15: SECURITIES MARKET REVENUE

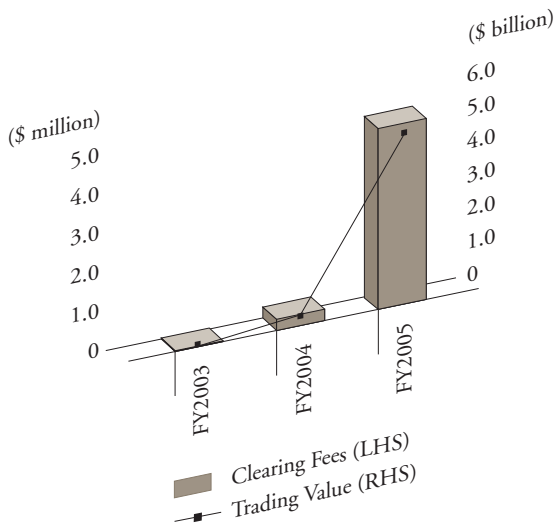
(\$ million)	FY2003	FY2004	FY2005	FY2005 vs FY2004
Securities Clearing Fees	66.9	141.2	95.9	(32.1%)
Securities Related Processing				
Income	23.1	30.3	24.3	(19.7%)
Access Fees	1.7	4.8	23.5	391.2%

NET DERIVATIVES CLEARING REVENUE

Our net derivatives clearing revenue steadied at \$49.6 million in FY2005 (FY2004: \$50.1 million) despite a 34.9% drop in total futures trading volume upon the loss of market share in Eurodollar contracts. Moderating the loss from Eurodollar contracts were the clearing fees from structured warrants, the revenue sharing from Eurodollar contracts traded on Globex during the Asian time zone and the increase in the Mutual Offset System fees received from CME. Our average clearing fee per contract rose from \$1.37 in FY2004 to \$1.88 in FY2005.

Growth in the structured warrants market continued its strong upward trend while Asian derivatives maintained healthy volume growth in FY2005. Trading of structured warrants soared 22 times, with trading turnover surging to \$5.4 billion from \$0.2 billion in FY2004 (Figure 16). In FY2005, there were 329 new structured warrants issued on underlying securities, including indices such as Hang Seng, compared to 27 new issues in FY2004.

FIGURE 16: GAINING MOMENTUM IN THE STRUCTURED WARRANTS MARKET



Turning to the futures market, we saw a 6.5% rise to 21.0 million contracts in our higher-margin Asian derivatives contracts. In line with our Asian Gateway strategy, we have successfully migrated the trading of the NK and TW, as well as the SGX Japanese Government Bonds (JGB) from open outcry to SGX QUEST. In response to our efforts in promoting electronic trading and reaching out to new derivatives members, our volume in these contracts has increased (Figure 17). Although our SG is still nascent, its volume increased by 27.4% because of the synergies between the cash and derivatives markets.

FIGURE 17: FUTURES VOLUME

<i>(contracts in million)</i>	FY2003	FY2004	FY2005	FY2005 vs FY2004
NK	5.8	8.0	8.6	7.9%
JGB	0.7	0.8	1.0	34.0%
TW	5.0	6.5	7.1	9.4%
SG	0.9	1.3	1.7	27.4%

STABLE REVENUE

The Group's stable revenue fell to \$81.4 million in FY2005 from \$90.0 million in the previous year because of the decommissioning of SESOPs terminals and the transfer of Access Fees from Stable Revenue to Securities Market Revenue. Continued growth was recorded in the corporate action, listing and price information fees (Figure 18).

FIGURE 18: CORPORATE ACTION, LISTING AND PRICE INFORMATION FEES

<i>(\$ million)</i>	FY2003	FY2004	FY2005	FY2005 vs FY2004
Account Maintenance				
& Corporate Action Fees	12.0	15.0	19.0	26.2%
Terminal & Connection Fees	29.0	28.1	10.8	(61.5%)
Listings & Membership Fees	17.1	21.2	22.4	5.9%
Price Information Fees	12.8	13.6	15.8	16.0%

Account maintenance and corporate action fees rose 26.2% to \$19.0 million mainly on the back of higher processing income from listing of structured warrants and other corporate action related income.

FY2005 was a stellar year for our IPO and structured warrants markets. We saw a record 80 IPOs and 329 new structured warrants, compared to 70 IPOs and 27 new structured warrants in FY2004. Gains in listing fees were, however, partially offset by a decline in membership fees. This was because electronic trading permits, as opposed to floor trading permits, attract lower fees. On balance, listing and membership fees increased from \$21.2 million in FY2004 to \$22.4 million in FY2005.

The re-pricing of our securities and derivatives datafeed to align us with international practices took effect in FY2005. This led to a 16.0% increase in price information fees from \$13.6 million in FY2004 to \$15.8 million in FY2005.

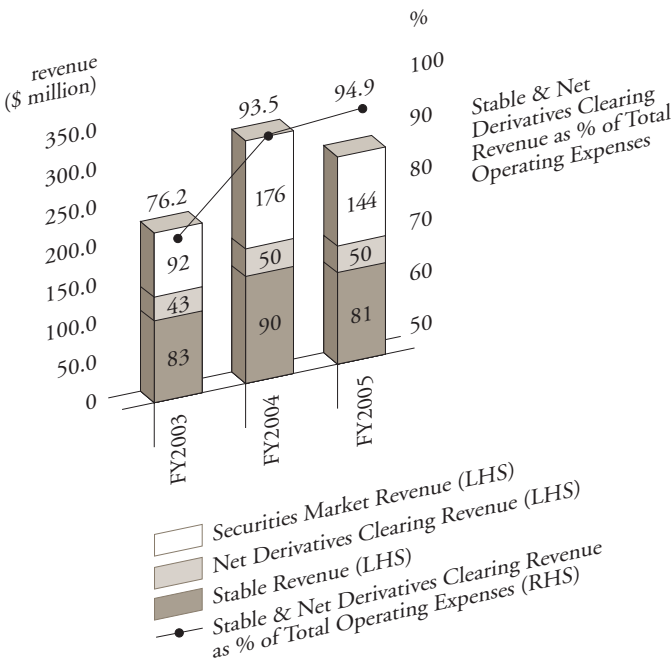
NON-OPERATING REVENUE

The loss of \$0.3 million in FY2004 was reversed to a \$3.0 million gain in FY2005. This is primarily due to interest income in FY2005, compared to the capital loss of \$3.1 million upon liquidation of the fixed income portfolio in FY2004.

COST CONTROL

Due to our continuous efforts in controlling costs, we are now able to cover up to 94.9% of our total operating expenses with our net derivatives clearing revenue and stable revenue. This percentage has risen progressively from 76.2% in FY2003 to 93.5% in FY2004 (Figure 19).

FIGURE 19: HIGH OPERATING LEVERAGE



The total operating expenses decreased from \$166.4 million in FY2003 to \$149.9 million in FY2004 and to \$138.0 million in FY2005. We saw a drop in most of our key expense components, except for occupancy costs and professional charges, part of other operating expenses (Figure 20).

FIGURE 20: CONTINUED COST DISCIPLINE

(\$ million)	FY2003	FY2004	FY2005	FY2005 vs FY2004
Staff Costs	70.1	68.9	58.8	(14.7%)
Occupancy Costs	17.4	15.0	16.0	6.7%
System Maintenance and Rental	21.0	17.5	16.6	(5.1%)
Depreciation and Amortisation	22.2	18.4	15.2	(17.5%)
Other Operating Expenses	35.8	30.1	31.4	4.5%

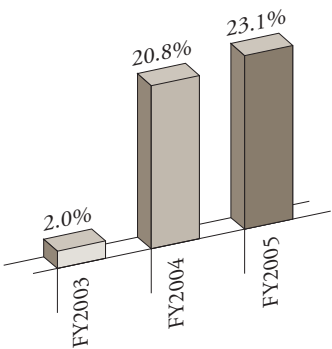
Overall staff costs fell from \$68.9 million in FY2004 to \$58.8 million in FY2005. Driving the fall was the 55.6% drop in the bonus provision to \$11.1 million in FY2005, reflecting the lower profits and headcount (FY2005: 616, FY2004: 650). These have mitigated the increase in staff costs (FY2005: \$47.7 million, FY2004: \$43.9 million) resulting from one-time retrenchment costs due to the closure of derivatives trading pits.

Total occupancy costs rose from \$15.0 million to \$16.0 million as a result of reinstatement costs for OUB Centre and Equity Plaza. Professional fees rose from \$7.9 million in FY2004 to \$9.0 million in FY2005, due to the increase in project consultancy.

Lower computer maintenance contributed to the 5.1% decline in system maintenance and rental costs to \$16.6 million. Depreciation and amortisation was also down by 17.5% due to fully depreciated assets in FY2005.

SHAREHOLDER RETURNS

FIGURE 21: RETURN ON EQUITY RISES



Our continuous efforts to grow revenue and instill financial discipline across the organisation have yielded positive results. We registered a higher return on equity of 23.1% compared to 20.8% in FY2004 (Figure 21), despite our lower profits. We managed our capital efficiently and returned surplus cash to shareholders.

For example, we purchased a \$46.0 million default insurance policy in March 2005 to replace part of our corporate guarantee for the derivatives clearing fund. During the year, \$156.2 million was paid out as a special dividend and \$43.6 million as interim base dividends (Figure 22).

In line with our commitment to robust capital management, barring unforeseen circumstances, our board has revised the dividend policy:

- The annual minimum net dividend per share has been increased to 6.0 cents (FY2004: 5.6 cents) or not less than 80% (FY2004: not less than 50%) of the annual net profit after tax and after contribution, if any, to the fidelity funds, whichever is higher; and
- The annual minimum net dividend per share of 6.0 cents will be paid on a quarterly basis, or 1.5 cents every quarter, instead of half-yearly.

Given the Group's financial performance, cash and retained profits position and the expected future operational funding needs, our board has proposed a final base dividend of 1.8 cents and a final variable dividend of 2.5 cents per share based on the prevailing tax exempt one-tier system. Excluding the interim special dividend of 15.0 cents per share, the total net dividend declared in FY2005 is 8.5 cents. This represents a 81% payout of the Group's earnings for FY2005 (FY2004: 84%).

FIGURE 22: OUR COMMITMENT TO SHAREHOLDERS

<i>Net Dividend Per Share (cents)</i>	FY2003	FY2004	FY2005*
Base dividend	5.07	5.60	6.00
Variable dividend	-	5.20	2.50
<b>Total regular dividend</b>	<b>5.07</b>	<b>10.80</b>	<b>8.50</b>
Special dividend	26.52	-	15.00
<b>Total dividend for the year</b>	<b>31.59</b>	<b>10.80</b>	<b>23.50</b>

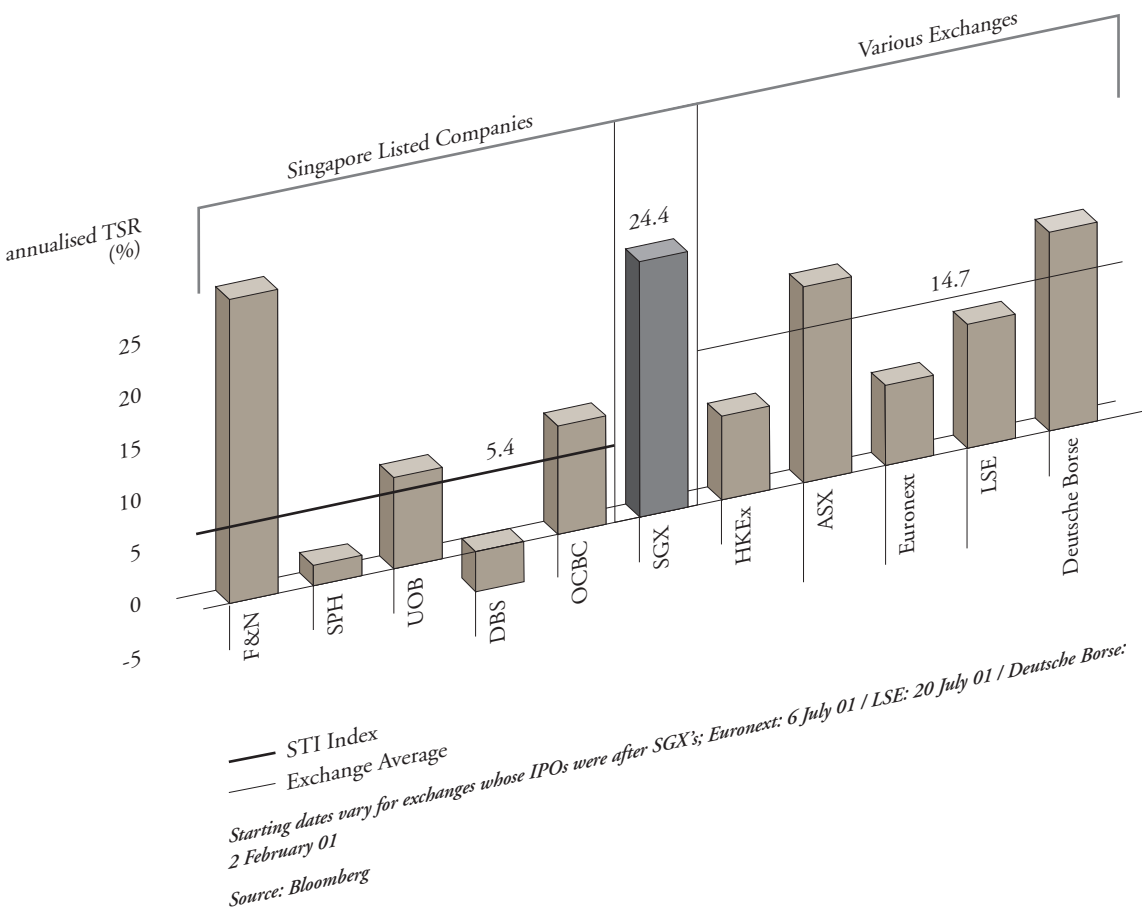
*\*Includes proposed final dividend subject to shareholders' approval.*

Based on the closing price of \$2.11 as at 30 June 2005, shareholders enjoyed a net dividend yield of 4.0% (excluding the interim special dividend), or 11.1% (including the interim special dividend). SGX clearly remains an attractive dividend play. Indeed, we outperformed the average dividend yield of 2.84% of our Mainboard listed companies and 2.9% of peer exchanges.

Our share price appreciated 25.6% from \$1.68 on 30 June 2004. Together with the dividends paid during the year, SGX posted total shareholder return of 43.9% (FY2004: 52.0%), surpassing the benchmark STI's 26.1%. Since we went public on 23 November 2000, SGX has rewarded shareholders with an annualised total return of 24.4%, against 5.4% for STI and an average of 14.7% for peer exchanges (Figure 23).



FIGURE 23: A REWARDING STOCK



#### CASH FLOW AND LIQUIDITY

As at 30 June 2005, the Group had cash and cash equivalents of \$117.9 million, compared to \$452.3 million in FY2004. The drop in cash reserves was mainly due to the dividend payouts totalling \$287.0 million and placement of \$154.7 million with a broad group of fund managers employing market neutral strategies.

Cash generated from operations, before tax and dividends, fell by 32.6% to \$136.4 million (FY2004: \$202.3 million) as a result of lower operating profits in FY2005. There was a net cash outflow of \$159.0 million in FY2005, compared to net inflow of \$332.9 million in FY2004, from investing activities. This was mainly due to the investment in managed funds of \$154.7 million in FY2005, while there was a liquidation of externally managed fixed income portfolio and redemption of our in-house investments in fixed income securities totalling \$345.4 million in FY2004. Funding of future infrastructure initiatives is expected to be adequately financed through internal resources or leverage as there is nominal debt on our balance sheet.

Regarding financing activities, FY2005 recorded a net outflow of \$276.1 million, compared to \$291.5 million in FY2004, reflecting the total dividend payout of \$287.0 million and \$323.7 million in FY2005 and FY2004 respectively. About 12.7 million ordinary shares were issued and \$12.3 million received in net proceeds when employees exercised their share options under the SGX Share Option Plan.

As at 30 June 2005, there were 30.5 million outstanding share options. Pursuant to the Share Purchase Mandate obtained in the last EGM held on 17 September 2004, no share purchase has been undertaken during the year.

#### CAPITAL STRUCTURE AND FINANCIAL RISK MANAGEMENT

The Group has been 100% equity financed and debt free since FY2000. Excess cash is kept in cash and bank deposits with major financial institutions. We have also invested \$154.7 million in managed funds to enhance investment returns. We have hedged the currency risk of these investments back into Singapore dollars.

Notwithstanding our cash position, we have put in place \$480.0 million of standby bank credit facilities for prudent risk management and emergency funding needs. This comprises \$210.0 million in committed share financing and \$270.0 million in committed unsecured credit lines.

As at 30 June 2005, we have also issued US\$83.0 million of unsecured standby letters of credit to CME as margins for derivatives trading. These contingent liabilities are backed by margin deposits from member companies. We also provide an unsecured guarantee of A\$4.8 million to ASX International Services Pty Ltd for obligations incurred under the SGX-ASX co-trading link.

In the event of a securities member default, the CDP Clearing Rules commit us to provide standby credit of \$75.0 million to the CDP Clearing Fund. Similarly, in the event of a derivatives member default, we are committed to provide standby credit of \$22.0 million in financial guarantee to our clearing subsidiary, SGX-DC. CDP and SGX-DC have default insurance to supplement the respective Clearing Funds.

Apart from insurance for the clearing fund, major group insurance policies include Industrial All Risks, Computer Insurance and Professional Indemnity Insurance. We review our insurable risk profile regularly to optimise insurance coverage and costs and recently effected a terrorism cover to protect our business operations and assets.

The Group's foreign exchange exposure arises largely from our derivatives business. To ensure against the concentration of foreign exchange risk in a single foreign currency, all foreign currencies are converted back to Singapore dollars.

#### ACCOUNTING POLICIES

The Group's financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") issued by the Council on Corporate Disclosure and Governance. The same accounting policies and methods of computation as in the 2004 audited annual financial statements have been applied for the current reporting period except for the adoption of FRS 36 - Impairment of Assets, FRS 38 - Intangible Assets and FRS 103 - Business Combinations. The adoption of these FRSs had no material impact on the Group's results.

In FY2006, we are required to adopt FRS 102 relating to Share-based Payment. Upon adoption in FY2006, SGX Group's opening balance of retained profits will reduce by \$7.1 million. Concurrently, the capital reserves for share options will increase by the same amount. Total shareholders' equity balance will therefore remain unchanged.

## RISK MANAGEMENT

Under the risk governance structure, the SGX board has overall responsibility for risk management. It sets the risk appetite and limits to guide SGX in our pursuit of business objectives. A board-level Risk Management Committee (RMC), comprising a majority of non-executive directors, assists the board in risk oversight. The RMC is supported by the Chief Risk Officer and the Risk Management function which provide an independent assurance of proper risk identification, measurement, monitoring as well as ensuring the management and reporting of risks by the respective business owners and risk takers. The Audit Committee provides another layer of independent assurance of the adequacy of risk management and internal control procedures.

SGX adopts a holistic approach to manage our market, counterparty, operational and other risks across the organisation through the implementation of the Enterprise Risk Management Framework. The Framework facilitates a periodic, systematic and comprehensive identification of both strategic and operational risks across the organisation involving senior management and staff. Procedures are in place to ensure that the risks identified are ranked with the appropriate action plans drawn up and tracked for implementation by business owners. Other major risk mitigation programmes include: our Business Continuity Management Programme for the restoration of critical business operations in the event of unforeseen disruptions; Outsourcing Policy to manage outsourcing risks; and New Product Approval Policy to ensure rigorous risk review and sign-off process for new products and services.

To maintain the integrity of our Business Continuity Planning, we held an unannounced IT Disaster Recovery Planning Exercise that tested the readiness of our technical staff in October 2004. We also conducted a large-scale exercise to include participants from both the securities and derivatives markets in July 2005.



strong shareholder returns :  
gaining momentum

WE REMAIN FOCUSED ON  
DELIVERING SUPERIOR ROE AND  
LONG-TERM VALUE TO OUR  
CUSTOMERS AND SHAREHOLDERS.

DIRECTORS’ REPORT

For the financial year ended 30 June 2005

The directors present their report to the shareholders together with the audited financial statements of the Company (“SGX”) and of the Group for the financial year ended 30 June 2005.

DIRECTORS

The directors of the Company at the date of this report are:

J Y Pillay	(Chairman)
Hsieh Fu Hua	(Chief Executive Officer)
Chew Choon Seng	(appointed on 1 December 2004)
Ho Tian Yee	
Lee Hsien Yang	(appointed on 17 September 2004)
Loh Boon Chye	
Low Check Kian	
Olivia Lum Ooi Lin	(appointed on 17 September 2004)
Ng Kee Choe	
Robert Owen	(appointed on 17 September 2004)
Tang Wee Loke	
Geoffrey Wong Ee Kay	

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under “Share 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 year had any interest in the share capital of the Company and related corporations, except as follows:

	Number of ordinary shares of \$0.01 each registered in name of director or nominee		Number of ordinary shares of \$0.01 each in which a director is deemed to have an interest	
	30.06.2005	01.07.2004	30.06.2005	01.07.2004
<b>The Company</b>				
J Y Pillay	-	-	262,000	262,000
Hsieh Fu Hua	-	-	800,000	800,000

There was no change in any of the abovementioned interests in the Company or in related corporations between the end of the financial year and 21 July 2005.

DIRECTORS’ REPORT

For the financial year ended 30 June 2005

DIRECTORS’ INTERESTS IN SHARES OR DEBENTURES (cont’d)

- (b) According to the register of directors’ shareholdings, certain directors holding office at the end of the financial year had interests in the options to subscribe for ordinary shares of the Company granted pursuant to the SGX Share Option Plan as set out below and in the paragraphs on “Share options”.

	Number of unissued ordinary shares of \$0.01 each under options held by a director	
	30.06.2005	01.07.2004
Hsieh Fu Hua	4,000,000	4,000,000

DIRECTORS’ CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than as disclosed in the consolidated financial statements or 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

- (a) **SGX Share Option Plan (the “Scheme”)**

The Scheme is administered by the Remuneration Committee which comprises the following SGX directors:

Ng Kee Choe (Chairman)  
J Y Pillay  
Hsieh Fu Hua  
Chew Choon Seng  
Low Check Kian  
Geoffrey Wong Ee Kay

The Scheme was approved at the Extraordinary General Meeting (“EGM”) of SGX on 1 November 2000.

Scheme for Group Employees (as defined in the rules of SGX Share Option Plan (“the Rules”))

Under the Scheme, options granted to Group Employees may be exercised two years after the date of the grant and will have a term of no longer than seven years from the date of grant.



DIRECTORS’ REPORT  
For the financial year ended 30 June 2005

SHARE OPTIONS (cont'd)

(a) **SGX Share Option Plan (the “Scheme”)** (cont'd)  
Scheme for Non-Executive Directors and Associated Company Employees  
*(both as defined in the Rules)*

Options granted to Non-Executive Directors or Associated Company Employees with subscription prices which are equal to, or higher than, the Market Price of SGX shares may be exercised one year after the date of the grant. Options granted will have a term of no longer than five years from the date of grant.

Market Price is the average of the closing prices of SGX’s ordinary shares on Singapore Exchange Securities Trading Limited (“SGX-ST”) over five consecutive market days immediately preceding the date of grant of that option.

Restrictions

The aggregate nominal amount of new SGX shares over which options may be granted under the Scheme on any date, when added to the nominal amount of new SGX shares issued and issuable in respect of all options granted under the Scheme shall not exceed 15% of SGX’s issued share capital on the day preceding the relevant date of grant. The terms and conditions of the options granted are in accordance with the Scheme duly approved by the SGX shareholders at the EGM and as modified by the Committee from time to time. The subscription price of an option will be equal to or higher than the Market Price.

Options granted under the Scheme

During the financial year, the following options were granted to the Group Employees under the Scheme:

Date of grant	Exercise period	Number of ordinary shares granted under options	Exercise price **
01.11.2004	02.11.2006 to 01.11.2011	10,552,900	\$1.60

No options were granted to Non-Executive Directors and Associated Company Employees since the commencement of the Scheme.

The exercise prices of all options granted under the Scheme have been set at Market Price.

\*\* The exercise price has been adjusted following a special dividend paid in 2005.

## DIRECTORS' REPORT

For the financial year ended 30 June 2005

### SHARE OPTIONS (cont'd)

#### (b) Unissued shares under options

The details of the unissued shares under options to subscribe for ordinary shares of \$0.01 each of SGX granted are as follows:

Date of grant	Balance as at 01.07.2004 or date of grant, if later	Lapsed	Variation of exercise period *	Options exercised	Balance as at 30.06.2005	Number of option holders as at 30.06.2005	Exercise price **	Exercise period
20.11.2000	519,000	-	-	(411,000)	108,000	18	\$0.85	20.11.2002 to 20.11.2007
03.12.2001	2,553,000	(6,000)	(10,000)	(1,995,000)	542,000	51	\$0.94	03.12.2003 to 02.12.2008
03.12.2001	-	-	10,000	-	10,000	3	\$0.94	31.03.2005 to 30.03.2006
03.12.2001	30,000	(26,000)	-	(4,000)	-	-	\$0.94	03.12.2003 to 02.12.2004
03.12.2001	25,000	-	-	(25,000)	-	-	\$0.94	30.09.2003 to 29.09.2004
15.01.2002	175,000	-	-	-	175,000	1	\$1.00	16.01.2004 to 15.01.2009
01.10.2002	12,559,000	(265,000)	(2,000)	(9,844,000)	2,448,000	92	\$0.90	01.10.2004 to 30.09.2009
01.10.2002	-	-	2,000	-	2,000	1	\$0.90	31.03.2005 to 30.03.2006
01.10.2002	131,000	-	-	(125,000)	6,000	1	\$0.90	02.10.2004 to 01.10.2005
01.10.2002	250,000	-	-	(250,000)	-	-	\$0.90	30.09.2003 to 29.09.2004
27.01.2004	18,146,500	(1,627,400)	(259,700)	(2,000)	16,257,400	440	\$1.70	27.01.2006 to 26.01.2011
27.01.2004	-	-	2,000	-	2,000	1	\$1.70	22.06.2005 to 21.06.2006
27.01.2004	-	-	27,000	-	27,000	13	\$1.70	31.03.2005 to 30.03.2006
27.01.2004	-	-	230,700	-	230,700	7	\$1.70	30.06.2005 to 29.06.2006
27.01.2004	121,000	(121,000)	-	-	-	-	\$1.70	01.02.2004 to 31.01.2005
27.01.2004	305,000	-	-	-	305,000	1	\$1.70	28.01.2004 to 27.01.2006
27.01.2004	175,000	-	-	-	175,000	1	\$1.70	28.01.2004 to 27.01.2009
01.11.2004	10,552,900	(319,800)	(111,200)	-	10,121,900	313	\$1.60	02.11.2006 to 01.11.2011
01.11.2004	-	-	7,500	-	7,500	1	\$1.60	31.03.2005 to 30.03.2006
01.11.2004	-	-	103,700	-	103,700	2	\$1.60	30.06.2005 to 29.06.2006
	45,542,400	(2,365,200)	-	(12,656,000)	30,521,200			

\* The variations of exercise periods for these options have been approved by the Remuneration Committee as provided for under the Scheme.

\*\* The exercise price has been adjusted following special dividends paid in 2003 and 2005.

**DIRECTORS' REPORT**  
 For the financial year ended 30 June 2005

**SHARE OPTIONS** (cont'd)

**(b) Unissued shares under options** (cont'd)

The options granted by SGX do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.

As at 30 June 2005, executives and employees, including executive directors, who have been granted 5% or more of the total options available under the Scheme are as follows:

	Options granted for financial year ended 30.06.2005	Aggregate options granted since commencement of the Scheme to 30.06.2005	Aggregate options exercised since commencement of the Scheme to 30.06.2005	Aggregate options outstanding as at 30.06.2005
Options granted on 27.01.2004 (exercisable from 27.01.2006 to 26.01.2011)				
Hsieh Fu Hua	-	4,000,000	-	4,000,000

**(c) Proforma Group and Company financial effects under Financial Reporting Standard (“FRS”) 102 - Share-based Payment**

Strictly for information purposes only

FRS 102 only applies to options that were granted after 22 November 2002 and had not yet vested as at 1 July 2005.

The fair value of options granted that is subject to FRS 102 as at 30 June 2005 is estimated using the Cox-Ross-Rubinstein (1979) binomial tree model on the basis of the following assumptions on dividend yield, risk-free interest rate, expected volatility and time to maturity:

Date of grant	Exercise period	Number of unissued shares under options	Fair value of options at grant date	Exercise price **	Dividend yield %	Risk-free interest rate %	Volatility rate %	Time to maturity at grant date Years
27.01.2004	27.01.2006 to 26.01.2011	16,257,400	\$0.48	\$1.70	3.03	2.84	29.86	7.00
27.01.2004	22.06.2005 to 21.06.2006	2,000	\$0.48	\$1.70	3.03	2.84	29.86	7.00
27.01.2004	31.03.2005 to 30.03.2006	27,000	\$0.48	\$1.70	3.03	2.84	29.86	7.00
27.01.2004	30.06.2005 to 29.06.2006	230,700	\$0.48	\$1.70	3.03	2.84	29.86	7.00
27.01.2004	28.01.2004 to 27.01.2006	305,000	\$0.48	\$1.70	3.03	2.84	29.86	7.00
27.01.2004	28.01.2004 to 27.01.2009	175,000	\$0.41	\$1.70	3.03	2.37	29.86	5.00
01.11.2004	02.11.2006 to 01.11.2011	10,121,900	\$0.43	\$1.60	3.15	2.64	27.94	7.00
01.11.2004	31.03.2005 to 30.03.2006	7,500	\$0.43	\$1.60	3.15	2.64	27.94	7.00
01.11.2004	30.06.2005 to 29.06.2006	103,700	\$0.43	\$1.60	3.15	2.64	27.94	7.00

\*\* The exercise price has been adjusted following a special dividend paid in 2005.

**DIRECTORS' REPORT**  
 For the financial year ended 30 June 2005

SHARE OPTIONS (cont'd)

(c) **Proforma Group and Company financial effects under Financial Reporting Standard (“FRS”) 102 - Share-based Payment (cont'd)**

Based on management’s current estimates and assumptions, the proforma Group and Company profit after tax and minority interests and the earnings per share would have been as follows had the Group and the Company accounted for the fair value of the options granted under FRS 102:

	The Group		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Profit/(Loss) after tax and minority interests:				
- As reported	109,462	132,964	271,048	852
- Proforma	104,108	131,267	265,694	(845)
Basic earnings per share (in cents):				
- As reported	10.58	13.02	-	-
- Proforma	10.07	12.86	-	-
Diluted earnings per share (in cents):				
- As reported	10.54	12.94	-	-
- Proforma	10.03	12.77	-	-

The Group’s opening balance of retained profits in financial year 2006 will reduce by \$7.1 million. Concurrently, the capital reserves for share options will increase by the same amount. Total shareholders’ equity balance will therefore remain unchanged.

These proforma Group and Company amounts as disclosed above may not be representative of future disclosures of the financial impact of share options granted since the estimated fair value of share options is determined in respect of grants made and accepted during the period covered under the transitional provisions. The estimated fair values of the share options are amortised over the vesting periods of the share options.

The Group will implement FRS 102 effective from 1 July 2005.

## **DIRECTORS' REPORT**

For the financial year ended 30 June 2005

### **AUDIT COMMITTEE**

The Audit Committee comprises independent non-executive directors as follows:

Ho Tian Yee (Chairman)

Lee Hsien Yang

Loh Boon Chye

Olivia Lum Ooi Lin

Tang Wee Loke

Geoffrey Wong Ee Kay

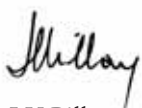
The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, including a review of the financial statements of the Company and of the Group for the financial year and the auditors' report thereon.

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



J Y Pillay  
Director



Hsieh Fu Hua  
Director

28 July 2005

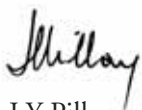
## STATEMENT BY DIRECTORS

For the financial year ended 30 June 2005

In the opinion of the directors,

- (a) the financial statements set out on pages 87 to 134 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 2005, the results of the business and changes in equity of the Company and of the Group, and the cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors



J Y Pillay  
Director



Hsieh Fu Hua  
Director

28 July 2005

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
SINGAPORE EXCHANGE LIMITED**

We have audited the accompanying financial statements of Singapore Exchange Limited and the consolidated financial statements of the Group for the financial year ended 30 June 2005 set out on pages 87 to 134. 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, Cap 50 ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2005, the results and changes in equity of the Company and of the Group, and the cash flows of the Group for the financial year ended on that date, and
- (b) the accounting and other records 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.



PricewaterhouseCoopers  
Certified Public Accountants

Singapore, 28 July 2005

## BALANCE SHEETS

As at 30 June 2005

		The Group		The Company	
	Note	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Current assets</b>					
Cash and cash equivalents	3	117,882	452,251	6,353	171,767
Trade and other debtors	4	490,763	281,356	3,349	4,504
Securities clearing funds	5	36,201	35,734	-	-
Investments	6	152,236	7,498	-	-
		797,082	776,839	9,702	176,271
<b>Non-current assets</b>					
Property, plant and equipment	7	209,229	209,466	29,365	35,858
Software	8	19,485	13,451	1,556	2,460
Club memberships		582	582	582	582
Investments in subsidiaries	9	-	-	581,381	392,340
Investment in joint venture	10	177	204	-	-
Deferred tax assets	18	2,287	3,536	-	-
		231,760	227,239	612,884	431,240
<b>Total assets</b>		1,028,842	1,004,078	622,586	607,511
<b>Current liabilities</b>					
Trade and other creditors	11	491,797	295,899	173,890	148,821
Securities clearing members' contributions to clearing funds	5	11,201	10,734	-	-
Provisions	12	8,144	8,869	3,762	3,655
Finance lease liabilities	17	2,004	-	-	-
Taxation	18	37,050	43,747	6,688	10,923
		550,196	359,249	184,340	163,399
<b>Non-current liabilities</b>					
Provision for surplus leased premises	12	-	2,581	-	2,033
Finance lease liabilities	17	2,778	-	-	-
Deferred tax liabilities	18	1,299	1,230	355	507
		4,077	3,811	355	2,540
<b>Total liabilities</b>		554,273	363,060	184,695	165,939
<b>Net assets</b>		474,569	641,018	437,891	441,572
<b>Equity</b>					
Share capital	13	10,421	10,294	10,421	10,294
Share premium		353,012	340,844	353,012	340,844
Securities clearing fund reserve	5	25,000	25,000	-	-
Cash flow hedge reserve		-	612	-	-
Retained profits		41,327	176,609	29,649	3,345
Proposed dividends		44,809	87,089	44,809	87,089
Shareholders' equity		474,569	640,448	437,891	441,572
<b>Minority interests</b>					
		-	570	-	-
		474,569	641,018	437,891	441,572

The accompanying notes form an integral part of these financial statements.  
Auditors' Report - Page 86.



## INCOME STATEMENTS

For the financial year ended 30 June 2005

		The Group		The Company	
	Note	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Operating revenue</b>					
Securities clearing fees		95,870	141,192	-	-
Securities related processing income		24,285	30,252	5,827	8,339
Access fees		23,514	4,787	-	-
Net derivatives clearing revenue		49,615	50,094	-	-
Account maintenance and corporate action fees		18,951	15,017	723	1,052
Terminal and connection fees		10,837	28,112	-	-
Listing and membership fees		22,426	21,184	-	-
Price information fees		15,821	13,642	-	-
Sale of software and other computer services		7,014	7,037	1,819	2,215
Management fees from subsidiaries		-	-	67,563	70,202
Gross dividends from subsidiaries		-	-	328,200	-
Other operating revenue		6,381	4,991	2,203	1,932
<b>Total operating revenue</b>		<b>274,714</b>	<b>316,308</b>	<b>406,335</b>	<b>83,740</b>
<b>Operating expenses</b>					
Staff costs	20	58,765	68,884	38,029	43,734
Occupancy costs		16,007	14,995	10,608	10,847
System maintenance and rental		16,599	17,487	2,658	5,241
Depreciation and amortisation		15,213	18,438	7,730	10,445
Provision for surplus leased premises	12(d)	(2,915)	(4,400)	(2,242)	(3,476)
Finance charges		107	-	-	-
Other operating expenses	14	34,240	34,484	16,666	14,358
<b>Total operating expenses</b>		<b>138,016</b>	<b>149,888</b>	<b>73,449</b>	<b>81,149</b>
<b>Profit from operating activities</b>	15	<b>136,698</b>	<b>166,420</b>	<b>332,886</b>	<b>2,591</b>
<b>Net non-operating revenue/(loss)</b>	16	<b>3,026</b>	<b>(334)</b>	<b>3,750</b>	<b>(1,509)</b>
<b>Profit before tax and minority interests</b>		<b>139,724</b>	<b>166,086</b>	<b>336,636</b>	<b>1,082</b>
Share of results of joint venture	10	(27)	(74)	-	-
		139,697	166,012	336,636	1,082
Tax	18	(30,242)	(33,236)	(65,588)	(230)
<b>Profit after tax and before minority interests</b>		<b>109,455</b>	<b>132,776</b>	<b>271,048</b>	<b>852</b>
Minority interests		7	188	-	-
<b>Profit after tax and minority interests</b>		<b>109,462</b>	<b>132,964</b>	<b>271,048</b>	<b>852</b>
<b>Earnings per share (cents)</b>	19				
- Basic		10.58	13.02		
- Diluted		10.54	12.94		

The accompanying notes form an integral part of these financial statements.  
Auditors' Report - Page 86.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2005

### The Group

	Note	Share capital \$'000	Share premium * \$'000	Securities clearing fund reserve * \$'000	Currency translation reserve * \$'000	Cash flow hedge reserve * \$'000	Retained profits \$'000	Proposed dividends \$'000	Total \$'000
<b>Balance at 1 July 2004</b>		<b>10,294</b>	<b>340,844</b>	<b>25,000</b>	<b>-</b>	<b>612</b>	<b>176,609</b>	<b>87,089</b>	<b>640,448</b>
Transfer to income statement		-	-	-	-	(612)	-	-	(612)
Net profit for the financial year		-	-	-	-	-	109,462	-	109,462
<b>Total recognised gains for the financial year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(612)</b>	<b>109,462</b>	<b>-</b>	<b>108,850</b>
Dividends paid									
- Final dividends									
- Financial year 2004		-	-	-	-	-	-	(87,221)	(87,221)
- Interim dividends									
- Financial year 2005	21	-	-	-	-	-	(43,583)	-	(43,583)
- Interim special dividends									
- Financial year 2005	21	-	-	-	-	-	(156,220)	-	(156,220)
- Underprovision of final dividends									
- Financial year 2004		-	-	-	-	-	(132)	132	-
Proposed dividends									
- Final dividends									
- Financial year 2005	21	-	-	-	-	-	(44,809)	44,809	-
Issue of ordinary shares	13	127	12,168	-	-	-	-	-	12,295
<b>Balance at 30 June 2005</b>		<b>10,421</b>	<b>353,012</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>41,327</b>	<b>44,809</b>	<b>474,569</b>

\* These non-distributable reserves are not available for distribution as cash dividends to the shareholders of the Company.

The accompanying notes form an integral part of these financial statements.

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2005

### The Group (cont'd)

	Note	Share capital \$'000	Share premium * \$'000	Securities clearing fund reserve * \$'000	Currency translation reserve * \$'000	Cash flow hedge reserve * \$'000	Retained profits \$'000	Proposed dividends \$'000	Total \$'000
<b>Balance at 1 July 2003</b>		<b>10,030</b>	<b>308,858</b>	<b>25,000</b>	<b>8</b>	<b>965</b>	<b>161,082</b>	<b>293,381</b>	<b>799,324</b>
Currency exchange loss		-	-	-	-	(188)	-	-	(188)
Transfer to income statement		-	-	-	-	(165)	-	-	(165)
Net profit for the financial year		-	-	-	-	-	132,964	-	132,964
<b>Total recognised gains for the financial year</b>		-	-	-	-	(353)	132,964	-	132,611
Currency translation differences transferred to income statement		-	-	-	(8)	-	-	-	(8)
Dividends paid									
- Final and special dividends									
- Financial year 2003		-	-	-	-	-	-	(299,689)	(299,689)
- Interim dividends									
- Financial year 2004	21	-	-	-	-	-	(24,040)	-	(24,040)
- Underprovision of final and special dividends									
- Financial year 2003		-	-	-	-	-	(6,308)	6,308	-
Proposed dividends									
- Final dividends									
- Financial year 2004	21	-	-	-	-	-	(87,089)	87,089	-
Issue of ordinary shares	13	264	31,986	-	-	-	-	-	32,250
<b>Balance at 30 June 2004</b>		<b>10,294</b>	<b>340,844</b>	<b>25,000</b>	<b>-</b>	<b>612</b>	<b>176,609</b>	<b>87,089</b>	<b>640,448</b>

\* These non-distributable reserves are not available for distribution as cash dividends to the shareholders of the Company.

The accompanying notes form an integral part of these financial statements.  
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## STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2005

### The Company

	Note	Share capital \$'000	Share premium* \$'000	Retained profits \$'000	Proposed dividends \$'000	Total \$'000
<b>Balance at 1 July 2004</b>		<b>10,294</b>	<b>340,844</b>	<b>3,345</b>	<b>87,089</b>	<b>441,572</b>
<b>Total recognised gains for the financial year – net profit</b>		-	-	271,048	-	271,048
<b>Dividends paid</b>						
- Final dividends						
- Financial year 2004		-	-	-	(87,221)	(87,221)
- Interim dividends						
- Financial year 2005	21	-	-	(43,583)	-	(43,583)
- Interim special dividends						
- Financial year 2005	21	-	-	(156,220)	-	(156,220)
- Underprovision of final dividends						
- Financial year 2004		-	-	(132)	132	-
<b>Proposed dividends</b>						
- Final dividends						
- Financial year 2005	21	-	-	(44,809)	44,809	-
<b>Issue of ordinary shares</b>	13	127	12,168	-	-	12,295
<b>Balance at 30 June 2005</b>		<b>10,421</b>	<b>353,012</b>	<b>29,649</b>	<b>44,809</b>	<b>437,891</b>
<b>Balance at 1 July 2003</b>		<b>10,030</b>	<b>308,858</b>	<b>119,930</b>	<b>293,381</b>	<b>732,199</b>
<b>Total recognised gains for the financial year – net profit</b>		-	-	852	-	852
<b>Dividends paid</b>						
- Final and special dividends						
- Financial year 2003		-	-	-	(299,689)	(299,689)
- Interim dividends						
- Financial year 2004	21	-	-	(24,040)	-	(24,040)
- Underprovision of final and special dividends						
- Financial year 2003		-	-	(6,308)	6,308	-
<b>Proposed dividends</b>						
- Final dividends						
- Financial year 2004	21	-	-	(87,089)	87,089	-
<b>Issue of ordinary shares</b>	13	264	31,986	-	-	32,250
<b>Balance at 30 June 2004</b>		<b>10,294</b>	<b>340,844</b>	<b>3,345</b>	<b>87,089</b>	<b>441,572</b>

\* These non-distributable reserves are not available for distribution as cash dividends to the shareholders of the Company.

## CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 30 June 2005

	Note	2005 \$'000	2004 \$'000
<b>Cash flows from operating activities</b>			
Profit before tax and share of results of joint venture		139,724	166,086
Adjustments for:			
- Depreciation and amortisation		15,213	18,438
- Net write-off/impairment of property, plant and equipment		-	266
- Impairment of club memberships		-	138
- Net (gain)/loss on investments		(642)	3,643
- Loss/(gain) on disposal of property, plant and equipment		59	(179)
- Loss on disposal of investment		170	-
- Provision for surplus leased premises		(2,915)	(4,400)
- Finance charges		107	-
- Interest income		(3,901)	(3,421)
Operating cash flow before working capital change		147,815	180,571
Change in operating assets and liabilities			
- Trade and other receivables		(206,916)	56,611
- Trade and other payables		195,509	(34,931)
Cash generated from operations		136,408	202,251
Income tax paid		(35,621)	(12,878)
<b>Net cash from operating activities</b>		100,787	189,373
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment and software		(16,013)	(16,214)
Proceeds from disposal of property, plant and equipment and software		1,018	285
Investment in managed funds		(154,661)	-
Interest received		3,865	3,433
Acquisition of shares from minority shareholders		(565)	-
Proceeds from sale/redemption of investments		7,328	345,383
<b>Net cash (used in)/from investing activities</b>		(159,028)	332,887
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary shares		12,295	32,250
Dividends paid		(287,024)	(323,729)
Repayment of lease liabilities		(1,292)	-
Finance charges		(107)	-
<b>Net cash used in financing activities</b>		(276,128)	(291,479)
<b>Net (decrease)/increase in cash and cash equivalents held</b>		(334,369)	230,781
<b>Cash and cash equivalents at the beginning of the financial year</b>		452,251	221,478
Effect of exchange rate changes on cash and cash equivalents		-	(8)
<b>Cash and cash equivalents at the end of the financial year</b>	3	117,882	452,251

The accompanying notes form an integral part of these financial statements.  
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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### 1. GENERAL

The Company is incorporated and domiciled in Singapore. On 23 November 2000, the Company was admitted to the Official List of SGX-ST. The address of the registered office is:

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

The principal activities of the Company are those of investment holding, treasury management, provision of management and administrative services to related corporations and sale of software and other computer services. The principal activities of the subsidiaries are set out in Note 9 to the financial statements. There have been no significant changes in the principal activities of the Company and its subsidiaries during the financial year.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

These financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with Singapore Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

#### (b) Group accounting

##### (i) *Subsidiaries*

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (b) Group accounting (cont'd)

##### (i) *Subsidiaries* (cont'd)

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the parent. It is measured at the minorities' share of post-acquisition fair values of the subsidiaries' identifiable assets and liabilities, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are taken to the consolidated income statement, unless the minority has a binding obligation to, and is able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority are taken to the consolidated income statement until the minority's share of losses previously taken to the consolidated income statement is fully recovered.

##### (ii) *Joint Ventures*

Joint ventures are those equity investments, in which the Group has a long-term interest and has, by way of contractual arrangements, joint control in the companies' operational and financial affairs.

Joint ventures are accounted for under the equity method whereby the Group's share of profit less losses of joint ventures is included in the consolidated income statement and the Group's share of net assets is included in the consolidated balance sheet. Where the accounting policies of joint ventures do not conform with those of the Group, adjustments are made for the amounts which are considered significant to the Group.

Please refer to Note 2(f) for the Company's accounting policy on investments in joint ventures.

#### (c) Foreign currency translation

##### (1) *Measurement currency*

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The financial statements are presented in Singapore dollars, which is the measurement currency of the Company.

##### (2) *Transactions and balances*

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

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. Currency translation differences arising are taken to the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (c) Foreign currency translation (cont'd)

##### (3) *Hedging*

Foreign exchange derivative instruments (mainly forward foreign exchange contracts) undertaken to hedge against committed acquisition of non-monetary assets or operating expenses in foreign currencies are accounted for as fair value hedges whereby the changes in the fair values of both the hedging derivatives and the hedged items attributable to the hedged risk are recognised in the income statement.

Foreign exchange derivative instruments undertaken to hedge against highly probable forecasted transactions in foreign currencies of the types mentioned above are accounted for as cash flow hedges whereby the effective portion of the changes in the fair value of the hedging derivatives that are designated and qualify as cash flow hedges are recognised in a cash flow hedge reserve. The amount in this reserve is transferred either to the cost of the hedged non-monetary asset upon acquisition or to the income statement when the hedged operating expenses are incurred.

The gain or loss relating to the ineffective portion as well as any derivative instrument that does not qualify for hedge accounting is recognised immediately in the income statement.

#### (d) Trade receivables

Trade receivables are stated at original invoice amount less allowance made for doubtful receivables based on a review of all outstanding amounts at the year end. An allowance for doubtful receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to original terms of receivables. Bad debts are written off when identified.

#### (e) Investments

Investments, which are financial assets at fair value through profit or loss, are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Purchase and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Changes in the fair value of the investments are included in the income statement in the financial year in which they arise. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using the net asset value for investment in managed funds as advised by external fund administrators.

#### (f) Joint ventures

Investments in joint ventures are stated at cost less impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount. Impairment losses are taken to the income statement in the year in which the loss is determined.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Property, plant and equipment

(1) *Land and buildings*

Land and buildings are initially recorded at cost. Freehold land are subsequently stated at cost less accumulated impairment losses (Note 2(q)). Buildings and leasehold land are subsequently stated at cost less accumulated depreciation and accumulated impairment losses (Note 2(q)).

(2) *Other property, plant and equipment*

Motor vehicles, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (Note 2(q)).

(3) *Depreciation of property, plant and equipment*

Depreciation is calculated on a straight-line basis to write off the cost of property, plant and equipment over their expected useful lives as follows:

Leasehold land	Remaining term of the lease from date of occupation
Freehold and leasehold buildings	Lower of 30 to 50 years or remaining lease period
Leasehold improvements	Lower of 5 years or remaining lease period
Furniture, fittings and office equipment	3 to 10 years
Computer hardware	3 to 7 years
Motor vehicles	4 years

No depreciation is provided on freehold land and work-in-progress.

Fully depreciated assets still in use are retained in the financial statements.

(4) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

(5) *Disposal*

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (h) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, unpledged cash and cash equivalents comprise cash in hand and deposits with banks.

#### (i) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

#### *Surplus leased premises*

Provision is made for surplus leased premises which are currently leased under non-cancellable operating leases and are expected to be sublet for lower rentals than it is presently obliged to pay under the existing lease.

The provision has been calculated on the basis of absolute dollar which the Group has to pay the landlord. For premises that are sublet, the provision is arrived at after deducting any rental received or expected to be received from subletting the surplus leased premises from the rent which the Group is obliged to pay under the original lease agreements with the landlord.

#### (j) Share capital

Ordinary shares are classified as equity.

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders.

#### (k) Revenue recognition

Revenue is recognised on the following basis:

- (i) clearing fees and related income, net of rebates, on a due date basis;
- (ii) listing and membership fees, maintenance fees and rental income on a time proportion basis;
- (iii) access, price information and processing fees, sale of software and other income, when the services are rendered;
- (iv) interest income, on a time proportion basis;
- (v) dividend income is recorded gross in the income statement in the financial year in which a dividend is declared payable; and
- (vi) management fees, when the services are rendered.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (l) Taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### (m) Accounting for leases

##### (1) *Where a group company is the lessee:*

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of the leased assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of return on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to the income statements over the lease period. Plant and equipment acquired under finance leases is depreciated over the useful life of the asset.

Operating lease payments are charged to the income statement on a straight-line basis over the lease period.

When a finance or operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

##### (2) *Where a group company is the lessor:*

Operating lease rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

#### (n) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to income are offset against related expenses. Government grants relating to assets are deducted against the assets to arrive at the carrying amount of the assets.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (o) Employee benefits

##### *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

##### *Employment benefits*

The Group makes legally required contributions to the Central Provident Fund. The Group's obligation, in regard to the defined contribution plan, is limited to the amount it contributes to the fund. The expenses are disclosed under directors and employees information (Note 20).

##### *Share options*

Share options are granted to a director and to employees under the director's employment contract and SGX Share Option Plan respectively. No compensation cost is recognised for options granted at the market price of the shares on the date of the grant. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

#### (p) Intangible assets

##### *Software*

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs and acquired computer software licences are stated at cost less accumulated amortisation and accumulated impairment losses (Note 2(q)). These costs recognised as assets are amortised using the straight-line method over their useful lives, but not exceeding a period of 7 years. Where an indication of impairment exists, the carrying amount of computer software development costs is assessed and written down immediately to its recoverable amount.

#### (q) Impairment of assets

Assets including property, plant and equipment and other intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's net selling price and its value in use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

(s) Financial instruments

*Forward foreign exchange contracts*

Forward foreign exchange contracts are used to hedge the Group's exposure to foreign currency risks. The fair values of the forward foreign exchange contracts are recognised in the financial statements. The notional principal amounts of the forward foreign exchange contracts are recorded as off-balance sheet items.

3. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash at bank and on hand	39,832	43,188	6,353	9,767
Fixed deposits with banks	78,050	409,063	-	162,000
	117,882	452,251	6,353	171,767

The carrying amounts of cash and cash equivalents approximate their fair value.

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Singapore dollar	108,109	444,557	6,153	171,767
United States dollar	6,092	2,870	200	-
Euro	3,178	4,319	-	-
Others	503	505	-	-
	117,882	452,251	6,353	171,767

Fixed deposits have the following average maturity from the end of the financial year with the following weighted average effective interest rates:

	The Group		The Company	
	2005	2004	2005	2004
Average maturity (days)	29	6	-	9
Effective weighted average interest rate (% per annum)	1.93	0.57	-	0.60

The exposure of cash and cash equivalents to interest rate risks is disclosed in Note 30(ii).

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 4. TRADE AND OTHER DEBTORS

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trade receivables (net) (Note (a))	481,328	274,620	1,114	1,948
Other debtors (Note (b))	9,435	6,476	2,235	2,556
Due to fidelity funds	-	260	-	-
	<b>490,763</b>	<b>281,356</b>	<b>3,349</b>	<b>4,504</b>

#### (a) Trade receivables comprise:

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Receivables from clearing members:				
- Daily settlements of accounts for due contracts and rights	445,645	245,765	-	-
- Clearing and other fees	16,920	13,488	-	-
Other trade receivables	19,404	16,324	1,114	1,948
	<b>481,969</b>	<b>275,577</b>	<b>1,114</b>	<b>1,948</b>
Less: Allowance for doubtful debts	(641)	(957)	-	-
	<b>481,328</b>	<b>274,620</b>	<b>1,114</b>	<b>1,948</b>

#### (b) Other debtors comprise:

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Interest receivable	3,143	1,156	-	58
Prepayments	2,517	1,963	712	228
Deposits	2,268	2,747	1,392	2,030
Staff advances	312	438	127	174
Others (non-trade)	1,195	172	4	66
	<b>9,435</b>	<b>6,476</b>	<b>2,235</b>	<b>2,556</b>

The carrying amounts of trade and other debtors approximate their fair value.

#### (c) Trade and other debtors are denominated in the following currencies:

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Singapore dollar	373,506	249,083	3,054	4,332
United States dollar	112,286	26,829	295	176
Euro	-	856	-	-
Others	4,971	4,588	-	(4)
	<b>490,763</b>	<b>281,356</b>	<b>3,349</b>	<b>4,504</b>

The weighted average effective interest rate for staff advances are 4% (2004: 4%).

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 30 June 2005

**5. SECURITIES CLEARING FUNDS**

	The Group	
	2005 \$'000	2004 \$'000
<b>Cash at bank – contributed by</b>		
CDP clearing members	10,781	10,284
OCC clearing members	420	450
	<b>11,201</b>	<b>10,734</b>
<b>CDP</b>	<b>25,000</b>	<b>25,000</b>
	<b>36,201</b>	<b>35,734</b>
<b>Contributions by CDP clearing members in the form of bank guarantees</b>	<b>6,850</b>	<b>7,350</b>

As at 30 June 2005, all cash contributions are placed in interest bearing accounts with banks. 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 corresponding liabilities to clearing members for their cash contributions are recorded as current liabilities of the Group.

The corresponding reserve for the contributions by CDP is recorded as securities clearing fund reserve.

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.

**(a) CDP Clearing Fund**

CDP has prescribed that the fund size will be \$160 million. CDP has contributed \$25 million in cash to the Clearing Fund. Clearing members of the securities exchange are required to contribute a total of at least \$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 \$45 million insurance cover and has provided from its own resources standby credit amounting to \$75 million to support the Clearing Fund.

NOTES TO THE FINANCIAL STATEMENTS  
For the financial year ended 30 June 2005

5. SECURITIES CLEARING FUNDS (cont'd)

(a) CDP Clearing Fund (cont'd)

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 line of credit provided by CDP

(b) OCC Clearing Fund

Each clearing member shall be liable to contribute a base deposit of an initial amount of \$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 transacted 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 deposits of defaulting clearing members
- (ii) Base deposits of all other clearing members on a prorata basis
- (iii) Insurance

6. INVESTMENTS

	The Group	
	2005 \$'000	2004 \$'000
Managed funds, at fair value	152,236	-
Government and public quoted bonds and debentures, at fair value	-	7,498
	<u>152,236</u>	<u>7,498</u>

Investments in managed funds are financial assets at fair value through profit or loss and changes in their fair value are included in the income statement. In the previous financial year, investments were classified as available-for-sale with changes in their fair value being included in the income statement.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 7. PROPERTY, PLANT AND EQUIPMENT

	Freehold land \$'000	Freehold buildings \$'000	Leasehold land and buildings \$'000	Leasehold improvements \$'000	Furniture, fittings and office equipment \$'000	Computer hardware \$'000	Motor vehicles \$'000	Work-in- progress (a) \$'000	Total \$'000
<b>The Group</b>									
<i>Cost</i>									
At 1 July 2004	17,478	8,261	214,784	36,750	5,539	81,452	734	9,047	374,045
Reclassification	-	-	-	2,090	1,050	1,656	-	(4,796)	-
Additions	-	-	-	15	50	2,989	523	8,742	12,319
Disposals	-	-	-	(1,829)	(4)	(1,193)	(724)	(10)	(3,760)
At 30 June 2005	17,478	8,261	214,784	37,026	6,635	84,904	533	12,983	382,604
<i>Accumulated depreciation</i>									
At 1 July 2004	-	2,448	6,954	22,078	4,579	77,497	727	-	114,283
Depreciation charge	-	265	2,217	5,584	566	2,855	8	-	11,495
Disposals	-	-	-	(1,006)	(5)	(964)	(724)	-	(2,699)
At 30 June 2005	-	2,713	9,171	26,656	5,140	79,388	11	-	123,079
<i>Accumulated impairment charge</i>									
At 1 July 2004 and 30 June 2005	5,000	-	45,000	90	115	91	-	-	50,296
<i>Net book value</i>									
At 30 June 2005	12,478	5,548	160,613	10,280	1,380	5,425	522	12,983	209,229
<i>Net book value</i>									
At 30 June 2004	12,478	5,813	162,830	14,582	845	3,864	7	9,047	209,466

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 7. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land \$'000	Freehold buildings \$'000	Leasehold improvements \$'000	Furniture, fittings and office equipment \$'000	Computer hardware \$'000	Motor vehicles \$'000	Work-in- progress (a) \$'000	Total \$'000
<b>The Company</b>								
<i>Cost</i>								
At 1 July 2004	17,478	8,261	31,060	898	19,275	734	2,265	79,971
Reclassification	-	-	2,017	30	162	-	(2,209)	-
Additions	-	-	15	45	292	523	172	1,047
Intercompany transfer	-	-	-	(2)	3	-	(60)	(59)
Disposals	-	-	(1,829)	(4)	(709)	(724)	(10)	(3,276)
At 30 June 2005	17,478	8,261	31,263	967	19,023	533	158	77,683
<i>Accumulated depreciation</i>								
At 1 July 2004	-	2,448	17,175	681	18,082	727	-	39,113
Depreciation charge	-	265	5,369	97	748	8	-	6,487
Intercompany transfer	-	-	-	(1)	2	-	-	1
Disposals	-	-	(1,006)	(4)	(549)	(724)	-	(2,283)
At 30 June 2005	-	2,713	21,538	773	18,283	11	-	43,318
<i>Accumulated impairment charge</i>								
At 1 July 2004 and 30 June 2005	5,000	-	-	-	-	-	-	5,000
<i>Net book value</i>								
At 30 June 2005	12,478	5,548	9,725	194	740	522	158	29,365
<i>Net book value</i>								
At 30 June 2004	12,478	5,813	13,885	217	1,193	7	2,265	35,858

(a) Work-in-progress comprises system infrastructure under development and leasehold improvements.

The properties owned by the Group which are used for its operations and staff recreation are as follows:

Brief description	Tenure	Net book value as at 30 June 2005 \$'000
Office building complex, SGX Centre, Singapore	99 years lease commencing from 13.11.1995	160,281
Industrial building, located at 18 New Industrial Road, Singapore	Freehold	18,027
Villa at Bintan Lagoon Golf and Beach Resort, Indonesia	26 years lease commencing from 14.06.1996	332

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 8. SOFTWARE

	Software \$'000	Work-in-progress software \$'000	Total \$'000
<b>The Group</b>			
<i>Cost</i>			
At 1 July 2004	20,071	10,179	30,250
Reclassification	10,568	(10,568)	-
Additions	333	9,435	9,768
Disposals	(18)	-	(18)
At 30 June 2005	30,954	9,046	40,000
<i>Accumulated amortisation</i>			
At 1 July 2004	16,740	-	16,740
Amortisation charge	3,718	-	3,718
Disposals	(2)	-	(2)
At 30 June 2005	20,456	-	20,456
<i>Accumulated impairment charge</i>			
At 1 July 2004 and 30 June 2005	59	-	59
<i>Net book value</i>			
At 30 June 2005	10,439	9,046	19,485
<i>Net book value</i>			
At 30 June 2004	3,272	10,179	13,451
	Software \$'000	Work-in-progress software \$'000	Total \$'000
<b>The Company</b>			
<i>Cost</i>			
At 1 July 2004	6,286	1,318	7,604
Reclassification	852	(852)	-
Additions	271	106	377
Intercompany transfer	-	(38)	(38)
Disposals	-	-	-
At 30 June 2005	7,409	534	7,943
<i>Accumulated amortisation</i>			
At 1 July 2004	5,144	-	5,144
Amortisation charge	1,243	-	1,243
At 30 June 2005	6,387	-	6,387
<i>Accumulated impairment charge</i>			
At 1 July 2004 and 30 June 2005	-	-	-
<i>Net book value</i>			
At 30 June 2005	1,022	534	1,556
<i>Net book value</i>			
At 30 June 2004	1,142	1,318	2,460

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

9. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2005	2004
	\$'000	\$'000
Investments at cost	581,381	392,340

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of business and incorporation	Equity held by			
			The Company		Subsidiaries	
			2005 %	2004 %	2005 %	2004 %
Singapore Exchange Securities Trading Limited	Operating a securities exchange	Singapore	100	100	-	-
Singapore Exchange Derivatives Trading Limited	Operating a derivatives exchange	Singapore	100	100	-	-
Singapore Exchange Derivatives Clearing Limited	Providing clearing, counterparty guarantee and related services for derivatives transactions	Singapore	100	100	-	-
The Central Depository (Pte) Limited	Providing clearing, counterparty guarantee, depository and related services for securities transactions	Singapore	100	100	-	-
Singapore Exchange IT Solutions Pte Limited	Providing computer services and maintenance, and software maintenance	Singapore	100	100	-	-
Macronet Information Pte Ltd	Providing corporate share registration and custody-related services	Singapore	-	-	100	100
Options Clearing Company (Pte) Limited	Providing facilities for the registration of options and the maintenance of margin for the options relating to securities	Singapore	-	-	100	100
SGX America Ltd (a)	Inactive	United States of America	-	-	100	100
Asia Converge Pte Ltd (b)	Inactive	Singapore	-	-	100	51
SGXLink Pte Ltd	Facilitating cross-border linkage trade of selected securities listed on Singapore Exchange Securities Trading Limited and Australian Stock Exchange Limited	Singapore	100	100	-	-

- (a) Not required to be audited in the United States of America.  
(b) Became a wholly-owned subsidiary in December 2004.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

9. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities	Country of business and incorporation	Equity held by			
			The Company		Subsidiaries	
			2005 %	2004 %	2005 %	2004 %
Securities Clearing and Computer Services (Pte) Limited	Dormant	Singapore	100	100	-	-
CDP Nominees Pte Ltd	Dormant	Singapore	-	-	100	100
CDP Nominees (II) Pte Ltd	Dormant	Singapore	-	-	100	100
Asiaclear Pte Ltd	Dormant	Singapore	-	-	100	100
Globalclear Pte Ltd	Dormant	Singapore	-	-	100	100
SGX Investment (Mauritius) Limited (c)	Investment holding	Mauritius	100	100	-	-

(c) Audited by PricewaterhouseCoopers, Mauritius.

10. INVESTMENT IN JOINT VENTURE

	The Group	
	2005 \$'000	2004 \$'000
Cost of investment	940	940
Share of results	(763)	(736)
	177	204

The Group has a 50% equity interest in the joint venture company, American Stock Exchange - SGX Pte Ltd, held by the Company's subsidiary, Singapore Exchange Securities Trading Limited. The joint venture company's principal activity is to promote the listing and trading of exchange traded funds.

The following amounts represent the Group's 50% share of the assets and liabilities; and results of the joint venture which have been equity accounted for in the consolidated balance sheet and income statement:

	The Group	
	2005 \$'000	2004 \$'000
Total assets	195	234
Total liabilities	(18)	(30)
Net assets	177	204
Income	-	-
Loss after tax for the financial year	(27)	(74)

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 11. TRADE AND OTHER CREDITORS

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trade creditors (Note (a))	454,895	258,674	-	-
Other creditors (Note (b))	36,902	37,225	20,864	20,761
Amount due to subsidiaries (non-trade) (Note (c))	-	-	153,026	128,060
	491,797	295,899	173,890	148,821

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(a) Trade creditors comprise:				
Payables to clearing members - daily settlements of accounts for due contracts and rights	445,645	245,765	-	-
Other trade creditors	9,250	12,909	-	-
	454,895	258,674	-	-

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(b) Other creditors comprise:				
Accrual for operating expenses	8,797	6,442	5,933	3,776
Accrual for bonus	17,997	22,539	12,369	15,417
Central Provident Fund Board payable	838	1,376	515	816
Interest payable to members	2,753	804	-	-
Advance receipts	4,023	4,789	35	12
Forward foreign exchange contracts, at fair value	1,170	-	1,170	-
Others (non-trade)	1,324	1,275	842	740
	36,902	37,225	20,864	20,761

(c) Amount due to subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

(d) The carrying amounts of current trade and other creditors approximate their fair values.

Trade and other creditors are denominated in the following currencies:

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Singapore dollar	378,309	268,836	172,573	148,364
United States dollar	108,470	22,448	1,293	457
Others	5,018	4,615	24	-
	491,797	295,899	173,890	148,821

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 12. PROVISIONS

#### (a) Current

	The Group		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Provision for SGX-MAS Market Development Scheme	3,059	3,750	-	-
Provision for surplus leased premises	2,685	3,019	2,151	2,360
Provision for unutilised leave	2,400	2,100	1,611	1,295
	<b>8,144</b>	<b>8,869</b>	<b>3,762</b>	<b>3,655</b>

#### (b) Non-current

	The Group		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Provision for surplus leased premises	-	2,581	-	2,033

#### (c) Movements in provision for SGX-MAS Market Development Scheme are as follows:

	The Group		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the financial year	3,750	3,750	-	-
Utilisation of provision	(691)	-	-	-
Balance at the end of the financial year	<b>3,059</b>	<b>3,750</b>	<b>-</b>	<b>-</b>

#### (d) Movements in provision for surplus leased premises are as follows:

	The Group		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the financial year	5,600	10,000	4,393	7,869
Utilisation of provision	(2,915)	(4,400)	(2,242)	(3,476)
Balance at the end of the financial year	<b>2,685</b>	<b>5,600</b>	<b>2,151</b>	<b>4,393</b>

#### (e) Movements in provision for unutilised leave are as follows:

	The Group		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the financial year	2,100	1,895	1,295	1,170
Write-back during the financial year	-	(95)	-	-
Provision made during the financial year	300	300	316	125
Balance at the end of the financial year	<b>2,400</b>	<b>2,100</b>	<b>1,611</b>	<b>1,295</b>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

13. SHARE CAPITAL OF SINGAPORE EXCHANGE LIMITED

(a) Authorised ordinary share capital

	The Group and The Company	
	2005 \$'000	2004 \$'000
100 billion (2004: 100 billion) ordinary shares of \$0.01(2004: \$0.01) each	<b>1,000,000</b>	<b>1,000,000</b>

(b) Issued and fully paid ordinary share capital

	The Group and The Company			
	2005 Number of shares '000	2004 Number of shares '000	2005 Paid-up share capital \$'000	2004 Paid-up share capital \$'000
Balance at the beginning of the financial year	1,029,422	1,003,014	10,294	10,030
Issued shares of \$0.01 each	12,656	26,408	127	264
Balance at the end of the financial year	<b>1,042,078</b>	<b>1,029,422</b>	<b>10,421</b>	<b>10,294</b>

(c) Outstanding options

Share options are granted to executive directors and employees.

Movements in the number of unissued ordinary shares under options which are outstanding at the balance sheet date are as follows:

	The Group and The Company	
	2005	2004
At the beginning of the financial year	34,989,500	43,623,000
Granted	10,552,900	18,997,500
Exercised	(12,656,000)	(26,408,000)
Lapsed	(2,365,200)	(1,223,000)
At the end of the financial year	<b>30,521,200</b>	<b>34,989,500</b>



**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 30 June 2005

**13. SHARE CAPITAL OF SINGAPORE EXCHANGE LIMITED (cont'd)**

**(c) Outstanding options (cont'd)**

As at 30 June 2005, the outstanding options granted to executive directors and employees to subscribe for ordinary shares of \$0.01 each were as follows:

Number of ordinary shares of \$0.01 each under options	Exercise price	Exercise period
108,000	\$0.85	20.11.2002 to 20.11.2007
542,000	\$0.94	03.12.2003 to 02.12.2008
10,000	\$0.94	31.03.2005 to 30.03.2006
175,000	\$1.00	16.01.2004 to 15.01.2009
2,448,000	\$0.90	01.10.2004 to 30.09.2009
2,000	\$0.90	31.03.2005 to 30.03.2006
6,000	\$0.90	02.10.2004 to 01.10.2005
16,257,400	\$1.70	27.01.2006 to 26.01.2011
2,000	\$1.70	22.06.2005 to 21.06.2006
27,000	\$1.70	31.03.2005 to 30.03.2006
230,700	\$1.70	30.06.2005 to 29.06.2006
305,000	\$1.70	28.01.2004 to 27.01.2006
175,000	\$1.70	28.01.2004 to 27.01.2009
10,121,900	\$1.60	02.11.2006 to 01.11.2011
7,500	\$1.60	31.03.2005 to 30.03.2006
103,700	\$1.60	30.06.2005 to 29.06.2006
<u>30,521,200</u>		

The terms of the exercise of options are set out in the Directors' Report under the caption "Share options".

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 13. SHARE CAPITAL OF SINGAPORE EXCHANGE LIMITED (cont'd)

#### (d) Options exercised during the year

During the financial year ended 30 June 2005, options for 12,656,000 (2004: 26,408,000) shares were exercised as follows:

Number of ordinary shares of \$0.01 each under options	Exercise price \$	Proceeds \$	Exercise month
13,000	0.92	11,960	July 2004
296,000	1.01	298,960	July 2004
125,000	0.97	121,250	July 2004
6,000	0.92	5,520	August 2004
237,000	1.01	239,370	August 2004
125,000	0.97	121,250	August 2004
112,000	0.92	103,040	September 2004
652,000	1.01	658,520	September 2004
7,000	0.92	6,440	October 2004
249,000	1.01	251,490	October 2004
2,310,000	0.97	2,240,700	October 2004
6,000	0.92	5,520	November 2004
74,000	1.01	74,740	November 2004
382,000	0.97	370,540	November 2004
6,000	1.01	6,060	December 2004
546,000	0.97	529,620	December 2004
174,000	1.01	175,740	January 2005
1,067,000	0.97	1,034,990	January 2005
6,000	0.92	5,520	February 2005
68,000	1.01	68,680	February 2005
542,000	0.97	525,740	February 2005
50,000	0.92	46,000	March 2005
25,000	1.01	25,250	March 2005
1,571,000	0.97	1,523,870	March 2005
211,000	0.92	194,120	April 2005
228,000	1.01	230,280	April 2005
2,955,000	0.97	2,866,350	April 2005
5,000	0.94	4,700	May 2005
193,000	0.90	173,700	May 2005
10,000	0.94	9,400	June 2005
403,000	0.90	362,700	June 2005
2,000	1.70	3,400	June 2005
<u>12,656,000</u>		<u>12,295,420</u>	

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 13. SHARE CAPITAL OF SINGAPORE EXCHANGE LIMITED (cont'd)

#### (e) Options committed to Chief Executive Officer

The Chief Executive Officer Hsieh Fu Hua's previous contract which was effective on 1 March 2003, provided that options for a minimum of 2 million shares would be granted to him for each completed year of service with the Company. His contract was renewed before its due expiry on 28 February 2006. The new term runs from 1 January 2005 to 31 December 2007. Under the new contract, share options granted to-date will be exercisable through the seventh anniversary date of grant should he leave the Company at the end of the term, or if SGX prematurely terminates his employment through no fault of his own. He is not entitled to any share options under the new contract.

Hsieh Fu Hua waived his entitlement to options for 2 million shares for the period of service from 29 February 2004 to 1 March 2005. The waiver will be taken into account when granting any shares to him under any future share plan approved by shareholders.

### 14. OTHER OPERATING EXPENSES

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Professional charges	8,997	7,898	5,028	4,307
Marketing and travelling	3,720	3,588	1,113	1,342
Communication charges	2,844	2,830	1,415	1,685
Fees to MAS for transfer of participant supervision function	2,300	2,300	2,300	2,300
Net specific allowance for doubtful debts and bad debts written back	(92)	445	73	-
Bad debts written off	6	24	-	-
Net foreign exchange loss/(gain)	49	324	(1)	6
Net write-off/impairment of property, plant and equipment	-	266	-	29
Loss/(gain) on disposal of property, plant and equipment	59	(179)	542	(5)
Direct cost for processing and royalties	11,160	12,966	1,500	1,575
Others	5,197	4,022	4,696	3,119
	<b>34,240</b>	<b>34,484</b>	<b>16,666</b>	<b>14,358</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 15. PROFIT FROM OPERATING ACTIVITIES

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<u>Profit from operating activities is arrived at after:</u>				
<b>Charging:</b>				
Audit services by auditors of the Company				
- current year	513	396	165	120
- overprovision in prior years	(2)	(86)	-	(10)
Other services by auditors of the Company	286	294	139	187
Depreciation of property, plant and equipment				
- Freehold building	265	265	265	265
- Leasehold land and buildings	2,217	2,217	-	-
- Leasehold improvements	5,584	5,289	5,369	5,079
- Furniture, fittings and office equipment	566	576	97	132
- Computer hardware	2,855	5,639	748	2,734
- Motor vehicles	8	153	8	153
Amortisation of software	3,718	4,299	1,243	2,082
Rental expenses - operating leases	8,362	8,577	5,724	6,490
Provision for unutilised leave	300	300	316	125
<b>And crediting:</b>				
Grants received from Financial Sector Development Fund and International Enterprise Singapore	199	257	-	-
Write-back of provision for unutilised leave	-	95	-	-

### 16. NET NON-OPERATING REVENUE/(LOSS)

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Investment gains/(losses) (Note (a))	726	(3,053)	-	(3,055)
Interest income, other income and expenses (Note (b))	2,300	2,719	3,750	1,546
	<b>3,026</b>	<b>(334)</b>	<b>3,750</b>	<b>(1,509)</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 16. NET NON-OPERATING REVENUE/(LOSS) (cont'd)

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(a) <u>Investment gains/(losses)</u>				
Managed funds				
- interest income	-	511	-	511
- gain/(loss)	642	(3,521)	-	(3,521)
- others	-	(45)	-	(45)
	642	(3,055)	-	(3,055)
Bonds and debenture				
- interest income	254	564	-	-
- loss	(170)	(562)	-	-
	726	(3,053)	-	(3,055)
(b) <u>Interest income, other income and expenses</u>				
Fixed deposits with banks	3,071	2,263	555	1,367
Bank interest income	554	326	132	61
Other interest income	22	268	10	256
Impairment of club memberships	-	(138)	-	(138)
Net foreign exchange (loss)/gain	(1,347)	-	3,053	-
	2,300	2,719	3,750	1,546

### 17. FINANCE LEASE LIABILITIES

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current	2,004	-	-	-
Non-current	2,778	-	-	-
	4,782	-	-	-

The weighted average effective interest rate of finance lease liabilities is 3% (2004: Nil%).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

17. FINANCE LEASE LIABILITIES (cont'd)

	The Group	
	2005 \$'000	2004 \$'000
Minimum lease payments due:		
- not later than one year	2,120	-
- later than one year but not later than five years	2,840	-
	4,960	-
Less: Future finance charges	(178)	-
Present value of finance lease liabilities	4,782	-

The present value of finance lease liabilities may be analysed as follows:

	The Group	
	2005 \$'000	2004 \$'000
Not later than one year	2,004	-
Later than one year but not later than five years	2,778	-
	4,782	-

18. TAXATION

(a) Tax expense

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Tax expense attributable to profit is made up of:				
- current tax	28,624	40,895	65,740	8,852
- deferred tax	1,318	(7,659)	(152)	(8,622)
	29,942	33,236	65,588	230
Underprovision in preceding financial years:				
- current tax	300	-	-	-
	30,242	33,236	65,588	230

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 18. TAXATION (cont'd)

#### (b) Tax reconciliation

The tax expense on profit differs from the amount that would arise using the Singapore rate of income tax due to the following:

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Profit before tax and share of results of joint venture	139,724	166,086	336,636	1,082
Tax calculated at a tax rate of 20% (2004: 20%)	27,945	33,217	67,327	216
Tax effect of:				
Change in tax rates	-	(483)	-	(830)
Different tax rates in other countries	(175)	-	-	-
Singapore statutory income exemption	(66)	(66)	(11)	(11)
Income not subject to tax	(54)	(1,449)	(3,785)	-
Expenses not deductible for tax purposes	2,292	2,017	2,057	855
	<b>29,942</b>	<b>33,236</b>	<b>65,588</b>	<b>230</b>

#### (c) Movements in provision for tax

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
At the beginning of the financial year	43,747	16,375	10,923	-
Income tax (paid)/recovered	(35,621)	(12,878)	(69,975)	2,547
Tax expense on profit for the financial year	28,624	40,895	65,740	8,852
Transfer from tax recoverable	-	(694)	-	(476)
Underprovision in preceding financial years	300	-	-	-
Tax on income from fidelity fund	-	49	-	-
At the end of the financial year	<b>37,050</b>	<b>43,747</b>	<b>6,688</b>	<b>10,923</b>

#### (d) Tax recoverable

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
At the beginning of the financial year	-	694	-	476
Transfer (to)/from tax provision account	-	(694)	-	(476)
At the end of the financial year	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

18. TAXATION (cont'd)

(e) Deferred income tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax jurisdiction. The following amounts, determined after appropriate offsetting, are shown in the balance sheets:

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Deferred tax assets:				
- to be recovered within 12 months	(1,192)	(1,908)	-	-
- to be recovered after more than 12 months	(1,095)	(1,628)	-	-
	(2,287)	(3,536)	-	-
Deferred tax liabilities:				
- to be settled within 12 months	813	1,016	324	493
- to be settled after more than 12 months	486	214	31	14
	1,299	1,230	355	507
	(988)	(2,306)	355	507

The movement in the gross deferred tax assets and liabilities during the financial year is as follows:

The Group - deferred tax liabilities

	Accelerated tax depreciation \$'000	Unrealised revaluation gains on investments \$'000	Tax losses \$'000	Total \$'000
2005				
At the beginning of the financial year	1,230	-	-	1,230
Charged/(credited) to income statement	69	-	-	69
At the end of the financial year	1,299	-	-	1,299
2004				
At the beginning of the financial year	2,059	8,684	(590)	10,153
Charged/(credited) to income statement	(829)	(8,684)	590	(8,923)
At the end of the financial year	1,230	-	-	1,230



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 18. TAXATION (cont'd)

#### (e) Deferred income tax (cont'd)

##### The Group - deferred tax assets

	Capital allowances \$'000
2005	
At the beginning of the financial year	(3,536)
Charged/(credited) to income statement	1,249
At the end of the financial year	(2,287)
2004	Capital allowances \$'000
At the beginning of the financial year	(4,800)
Charged/(credited) to income statement	1,264
At the end of the financial year	(3,536)

##### The Company - deferred tax liabilities

	Accelerated tax depreciation \$'000	Unrealised revaluation gains on investments \$'000	Tax losses \$'000	Total \$'000
2005				
At the beginning of the financial year	507	-	-	507
Charged/(credited) to income statement	(152)	-	-	(152)
At the end of the financial year	355	-	-	355
2004	Accelerated tax depreciation \$'000	Unrealised revaluation gains on investments \$'000	Tax losses \$'000	Total \$'000
At the beginning of the financial year	1,066	8,653	(590)	9,129
Charged/(credited) to income statement	(559)	(8,653)	590	(8,622)
At the end of the financial year	507	-	-	507

### 19. EARNINGS PER SHARE

	The Group	
	2005 \$'000	2004 \$'000
Profit after tax and minority interests	109,462	132,964
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	1,034,242	1,020,916
Adjustment for assumed exercise of share options ('000)	3,963	6,750
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,038,205	1,027,666

Basic earnings per share is calculated by dividing the profit after tax and minority interests by the weighted average number of ordinary shares in issue during the year.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 19. EARNINGS PER SHARE (cont'd)

For purposes of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted as if all share options that are dilutive were exercised. The adjustment shown above represents the number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at market price (determined as the Company's average price for the financial year) for the same total proceeds.

### 20. DIRECTORS AND EMPLOYEES INFORMATION

#### (a) Employees' remuneration

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Salary and wages	41,493	39,706	27,240	24,236
Variable bonus (including employer's contribution to Central Provident Fund)	11,099	24,992	7,722	16,982
Employer's contribution to Central Provident Fund on salary and wages	3,773	4,100	2,316	2,432
Retrenchment benefits	2,400	86	751	84
	<b>58,765</b>	<b>68,884</b>	<b>38,029</b>	<b>43,734</b>

Included in employees' remuneration is remuneration of executives and directors under the employment of the Group and the Company.

- (b) The number of employees of the Group as at 30 June 2005 was 616 (2004: 650).

The aggregate number of shares under options granted to key management of the Group during the financial year was 2,270,000 (2004: 7,095,000). The share options were granted under the same terms and conditions as those offered to other employees of the Company.

#### (c) Directors' fees and key management's remuneration

Key management's remuneration included fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and the Company, and where the Group or Company did not incur any costs, the value of the benefit is included. The amounts disclosed below include the bonuses payable to the Chairman and the Chief Executive Officer for the financial year which have been approved by the Remuneration Committee and the actual bonuses paid to other key management relating to the preceding financial year. The directors' fees and key management's remuneration are as follows:

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Directors' fees				
- of the Company	492	490	492	490
- of the subsidiary	2	-	-	-
Directors' remuneration				
- of the Company	3,619	4,247	3,619	4,247
- of the subsidiaries	1,839	1,527	1,839	1,527
Others	3,654	2,204	3,654	2,204
	<b>9,606</b>	<b>8,468</b>	<b>9,604</b>	<b>8,468</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 21. DIVIDENDS

	The Group and The Company	
	2005 \$'000	2004 \$'000
Interim gross dividends of 5.25 cents per share net of tax at 20% paid (2004: Gross 2.925 cents net of tax at 20%)	43,583	24,040
Interim special tax exempt one-tier dividends of 15.00 cents per share (2004: Nil)	156,220	-
Proposed final tax exempt one-tier dividends of 4.3 cents per share (2004: Gross 10.575 cents net of tax at 20%)	44,809	87,089
	<b>244,612</b>	<b>111,129</b>

The directors have proposed a final tax exempt one-tier dividend for 2005 of 4.3 cents per share amounting to a total of \$44,809,354. The proposed dividend is accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ended 30 June 2005.

### 22. SEGMENT INFORMATION

#### Primary reporting format - business segments

	Securities Market \$'000	Derivatives Market \$'000	Other Operations \$'000	The Group \$'000
<b>2005</b>				
<b>SEGMENT REVENUE</b>				
External revenue	197,296	73,527	3,891	274,714
Inter-segment revenue	317	1	395,912	396,230
	197,613	73,528	399,803	670,944
Less: Consolidation elimination	(317)	(1)	(395,912)	(396,230)
	197,296	73,527	3,891	274,714
<b>RESULTS</b>				
Segment results	133,781	25,676	(1,192)	158,265
Unallocated costs				(21,567)
Profit from operating activities				136,698
Net non-operating revenue				3,026
Share of results of joint venture				(27)
Tax				(30,242)
Profit after tax and before minority interests				109,455
Minority interests				7
Profit attributable to shareholders				<b>109,462</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 22. SEGMENT INFORMATION (cont'd)

#### Primary reporting format - business segments (cont'd)

2005	Securities Market \$'000	Derivatives Market \$'000	Other Operations \$'000	The Group \$'000
<b>OTHER INFORMATION</b>				
Segment assets	707,190	123,117	5,107	835,414
Unallocated assets				193,428
Consolidated total assets				<u>1,028,842</u>
Segment liabilities	492,284	19,037	793	512,114
Unallocated liabilities				42,159
Consolidated total liabilities				<u>554,273</u>
Capital expenditure	18,246	3,829	12	<u>22,087</u>
Depreciation and amortisation	9,108	6,084	21	<u>15,213</u>

In 2005, the Group operates in Singapore and holds investment portfolio through a subsidiary in Mauritius.

2004	Securities Market \$'000	Derivatives Market \$'000	Other Operations \$'000	The Group \$'000
<b>SEGMENT REVENUE</b>				
External revenue	239,892	71,107	5,309	316,308
Inter-segment revenue	227	704	70,298	71,229
	<u>240,119</u>	<u>71,811</u>	<u>75,607</u>	<u>387,537</u>
Less: Consolidation elimination	(227)	(704)	(70,298)	(71,229)
	<u>239,892</u>	<u>71,107</u>	<u>5,309</u>	<u>316,308</u>
<b>RESULTS</b>				
Segment results	169,163	20,990	(423)	189,730
Unallocated costs				(23,310)
Profit from operating activities				<u>166,420</u>
Net non-operating loss				(334)
Share of results of joint venture				(74)
Tax				(33,236)
Profit after tax and before minority interests				<u>132,776</u>
Minority interests				188
Profit attributable to shareholders				<u>132,964</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 22. SEGMENT INFORMATION (cont'd)

#### Primary reporting format - business segments (cont'd)

2004	Securities Market \$'000	Derivatives Market \$'000	Other Operations \$'000	The Group \$'000
<b>OTHER INFORMATION</b>				
Segment assets	680,749	143,112	4,731	828,592
Unallocated assets				175,486
Consolidated total assets				1,004,078
Segment liabilities	293,292	17,664	1,438	312,394
Unallocated liabilities				50,666
Consolidated total liabilities				363,060
Capital expenditure	12,983	3,075	156	16,214
Depreciation and amortisation	11,448	6,641	349	18,438

The Group is organised into three main business segments:

- (i) Securities market - providing trading, clearing and depository services for the securities market.
- (ii) Derivatives market - providing trading and clearing services for the derivatives market.
- (iii) Other operations - providing mainly information technology services to financial sector participants.

Structured warrants related revenue and costs have been reclassified to Derivatives market from Securities market, as management considers structured warrants a derivative of the underlying cash product.

The prior year comparative segment revenue and results have been reclassified to conform with the current segment presentation wherein structured warrants related revenue and results amounting to \$502,000 and \$393,000 respectively have been reclassified to the Derivatives market segment.

Financial information about business segments is presented in the schedule above.

Inter-segment results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to external parties for similar services. Those transfers are eliminated on consolidation.

Segment assets comprise mainly securities clearing funds, property, plant and equipment, software, operating cash, debtors and investments.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 30 June 2005

**22. SEGMENT INFORMATION (cont'd)**

Segment liabilities comprise mainly securities clearing funds and creditors. Capital expenditure comprises additions to property, plant and equipment and software.

Expenses, assets and liabilities which are common and cannot be meaningfully allocated to the business segments are presented under unallocated expenses, assets and liabilities respectively.

Secondary reporting format - geographical segments

	Singapore		Other country		The Group	
	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating revenue	274,714	316,308	-	-	274,714	316,308
Total assets	876,425	1,004,078	152,417	-	1,028,842	1,004,078
Capital expenditure	22,087	16,214	-	-	22,087	16,214

**23. SECURITIES AND DERIVATIVES FIDELITY FUNDS**

Fidelity funds are maintained by the securities and derivatives exchange subsidiaries, as required by Section 176 of the Securities and Futures Act as follows:

	2005	2004
	\$'000	\$'000
Securities Exchange Fidelity Fund	31,890	31,595
Derivatives Exchange Fidelity Fund	21,584	21,279
	53,474	52,874

The purposes of the fidelity funds pursuant to Section 186 of the Securities and Futures Act are as follows:

- 1.1 to compensate any person (other than an accredited investor) who has suffered a pecuniary loss from any default and defalcation committed
- (a) in the course of, or in connection with, a dealing in securities, or the trading of a futures contract;
  - (b) by a member of a securities exchange or a futures exchange or by any agent of such member; and
  - (c) in relation to any money or other property entrusted to or received:
    - (i) by that member or of its agents; or
    - (ii) by that member or any of its agents as trustee or on behalf of the trustees of that money or property.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 23. SECURITIES AND DERIVATIVES FIDELITY FUNDS (cont'd)

- 1.2 to pay the Official Assignee or a trustee in bankruptcy within the meaning of the Bankruptcy Act (Cap. 20) if the available assets of a bankrupt, who is a member of SGX-ST or SGX-DT, are insufficient to satisfy any debts arising from dealings in securities or trading in futures contracts that have been proved in the bankruptcy by creditors of the bankrupt member.
- 1.3 to pay a liquidator of a member of SGX-ST or SGX-DT that is being wound up if the available assets of a member are insufficient to satisfy any debts arising from dealings in securities or trading in futures contracts that have been proved in the liquidation of the member.

The assets of the Funds belong to the respective exchange subsidiaries but are kept separate from all other assets, and are held in trust for the purposes set out in the Securities and Futures Act.

No further provision has been made in the financial year ended 30 June 2005 for contribution to be paid to the securities and derivatives fidelity funds as the minimum sum of \$20 million for each fund as currently required under the Securities and Futures Act has been reached.

	2005 \$'000	2004 \$'000
The assets and liabilities of the Funds are as follows:		
<b>Assets</b>		
Fixed deposits with banks	43,138	42,470
Quoted bonds, at cost	9,950	10,082
Interest receivable	245	139
Bank balance	355	531
	<u>53,688</u>	<u>53,222</u>
<b>Liabilities</b>		
Other creditors and accruals	7	8
Provision for taxation	159	70
Due to general fund	-	260
Deferred tax liabilities	48	10
	<u>214</u>	<u>348</u>
<b>Net assets</b>	<u>53,474</u>	<u>52,874</u>

The assets and liabilities of the Funds are not included in the Group's balance sheet as they are held in trust.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 24. SGX-DC COMMON BOND SYSTEM

The rules of the derivatives clearing subsidiary, Singapore Exchange Derivatives Clearing Limited ("SGX-DC"), enable SGX-DC to mobilise substantial resources to meet any liabilities should a derivatives clearing member become insolvent and be unable to pay its full losses to SGX-DC. The resources available to SGX-DC 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) a financial guarantee of \$22,000,000 from the Company and surplus funds of SGX-DC which are in excess of funds necessary for normal operations;
- (c) a default insurance of \$46,000,000;
- (d) up to one half of the SGX-DT Compensation Fund established by SGX-DT (Note 25);
- (e) security deposits in equal amounts from each non-defaulting derivatives clearing member; and
- (f) further assessments on derivatives clearing members based on a formula that takes into consideration their capital requirements and share of volume and open interest on SGX-DC (capped at \$8,000,000 if a letter of credit of that amount is posted with SGX-DC to comply with financial resources requirements).

### 25. SGX-DT COMPENSATION FUND

The SGX-DT Compensation Fund was established by Singapore Exchange Derivatives Trading Limited ("SGX-DT") for the primary purpose of providing compensation to SGX-DT, SGX-DC, customers of any SGX-DT member who suffer, sustain or incur a loss in consequence of the default of that SGX-DT member in meeting its obligations in connection with the trading of futures contracts on any market association or exchange established or approved by SGX-DT. The Fund also compensates in relation to losses of any money or property entrusted to or received by any SGX-DT member or by any of its directors or employees for and on behalf of any other persons or was entrusted to or received by the SGX-DT member as a trustee.

The Deed of Settlement dated 25 November 1986 states that upon the winding up of the Fund, which should be no later than 24 November 2006, the net assets of the Fund shall be distributed in such proportion as the Trustees think fit, to a trust having objects sufficiently similar to the Fund, to SGX-DT or to such charitable institutions or other charitable objects.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 25. SGX-DT COMPENSATION FUND (cont'd)

The assets and liabilities of the Fund are as follows:

	2005 \$'000	2004 \$'000
<b>Assets</b>		
Fixed deposits	17,814	17,034
Bank balances	347	566
Quoted bonds, at cost	12,719	12,915
Quoted government securities, at cost	1,502	1,507
Interest receivable	182	137
	<b>32,564</b>	<b>32,159</b>
<b>Liabilities</b>		
Other creditors and accruals	4	9
Provision for taxation	135	112
Deferred tax liabilities	36	27
	<b>175</b>	<b>148</b>
<b>Net assets</b>	<b>32,389</b>	<b>32,011</b>

The assets and liabilities of the Fund are not included in the Group's balance sheet as they are held in trust.

### 26. CONTINGENT LIABILITIES

#### (a) Singapore Exchange Derivatives Clearing Limited ("SGX-DC")

As the clearing house for futures and options traded on SGX-DT, SGX-DC becomes the novated counterparty for these derivative instruments.

The rules of SGX-DC require its clearing members to deposit, as security for their derivatives clearing obligations to SGX-DC, the higher of US\$250,000 or 2.5% of monthly average risk margin in cash or irrevocable letter of credit.

Clearing members must also provide collateral in the form acceptable to SGX-DC as margin funds to guarantee the performance of the obligations associated with futures or option positions. The total margins required by SGX-DC at 30 June 2005 were approximately \$1,782,500,000 (2004: \$2,032,319,000).

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 26. CONTINGENT LIABILITIES (cont'd)

#### (a) Singapore Exchange Derivatives Clearing Limited ("SGX-DC") (cont'd)

As at that date, clearing members had lodged the following collateral with SGX-DC for security deposit and margin fund purposes:

	2005 \$'000	2004 \$'000
<b>Security deposits</b>		
Cash	29,706	27,211
Irrevocable letters of credit	44,536	46,270
<b>Margin funds</b>		
Cash	2,509,205	2,395,834
Quoted government securities, at fair value	810,309	723,435
Irrevocable letters of credit	190,123	171,880

All cash deposits are placed in interest bearing accounts with banks. Interest earned on the cash deposits is credited to the derivatives clearing members, with a portion retained by SGX-DC.

As these items are held in trust, none of these assets, together with corresponding liabilities are recorded in the consolidated balance sheet of the Group.

#### (b) At the balance sheet date, the Group and the Company have unsecured contingent liabilities as follows:

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Unsecured guarantees by the derivatives clearing subsidiary to banks for standby letters of credit issued by the banks to Chicago Mercantile Exchange for members' open positions on these exchanges. These guarantees are supported by members' margin deposits as set out above.	139,648	111,722	-	-
Standby line of credit provided by CDP to the Clearing Fund to be utilised in accordance with CDP's Clearing Rules (Note 5)	75,000	75,000	-	-
Unsecured guarantees by the Company in respect of obligations of a subsidiary	-	-	6,187	5,688
Financial guarantee provided to SGX-DC for the Common Bond Fund to be utilised in accordance with SGX-DC's Clearing Rules (Note 24)	22,000	68,000	22,000	68,000
	<b>236,648</b>	<b>254,722</b>	<b>28,187</b>	<b>73,688</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 27. COMMITMENTS

#### (a) Operating lease commitments – where a group company is a lessee

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Not later than one financial year	7,741	9,564	5,122	6,418
Later than one financial year but not later than five financial years	231	8,024	137	5,338
	<u>7,972</u>	<u>17,588</u>	<u>5,259</u>	<u>11,756</u>

In respect of non-cancellable operating leases, the following provision has been recognised:

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Provision for surplus leased premises (Note 12)	2,685	5,600	2,151	4,393

#### (b) Operating lease commitments – where a group company is a lessor

The future aggregate minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Not later than one financial year	8,217	6,947	1,663	2,018
Later than one financial year but not later than five financial years	17,878	14,736	475	1,657
	<u>26,095</u>	<u>21,683</u>	<u>2,138</u>	<u>3,675</u>

#### (c) Capital commitments

Capital commitments contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Property, plant and equipment and software	<u>1,311</u>	<u>11,867</u>	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

27. COMMITMENTS (cont'd)

(d) Other expenditure commitments

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Fees payable to the Monetary Authority of Singapore for assumption of inspection function	6,900	9,200	6,900	9,200
Annual regulatory fee payable to the Monetary Authority of Singapore	1,390	-	250	-
	8,290	9,200	7,150	9,200

28. RELATED PARTY TRANSACTIONS

Certain directors are also directors of securities broking or derivatives broking companies which utilises the services of the Group. Certain other directors are also directors of companies supplying utilities, telecommunication and transportation services to the Group. The Group, in the ordinary course of business, enters into transactions under prevailing commercial terms and conditions with corporations with which these directors are either related or employed.

29. INTERESTED PERSON TRANSACTIONS

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Robert Stein (Adelphi Capital Partners - consultancy fees)	-	299	-	299

30. FINANCIAL RISK MANAGEMENT

(i) Foreign exchange risk

The Group's foreign exchange exposure arises mainly from the clearing and settlement of various products and services and investments in managed funds denominated in foreign currency. The Group has ensured that there is no concentration of foreign exchange risk in a single foreign currency, and excessive foreign currencies are converted back to Singapore dollars. The Group manages the currency exposure through derivative financial instruments such as foreign exchange forward contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

30. FINANCIAL RISK MANAGEMENT (cont'd)

(ii) Cash flow and fair value interest rate risks

The Group's interest rate risks mainly arises from finance lease liabilities, fixed deposits and investments in managed funds.

The tables below set out the Group and the Company's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

The Group

	Variable rates		Fixed rates				Non-interest bearing \$'000	Total \$'000
	Less than 6 months \$'000	6 to 12 months \$'000	Less than 6 months \$'000	6 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000		
At 30 June 2005								
Assets								
Cash and cash equivalents	38,881	-	78,000	50	-	-	951	117,882
Liabilities								
Finance lease	-	-	-	-	4,782	-	-	4,782
At 30 June 2004								
Assets								
Cash and cash equivalents	41,221	-	409,013	50	-	-	1,967	452,251
Liabilities								
Finance lease	-	-	-	-	-	-	-	-

The Company

	Variable rates		Fixed rates				Non-interest bearing	Total
	Less than 6 months	6 to 12 months	Less than 6 months	6 to 12 months	1 to 5 years	Over 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
<b>At 30 June 2005</b>								
<b>Assets</b>								
Cash and cash equivalents	<b>6,136</b>	-	-	-	-	-	<b>217</b>	<b>6,353</b>
<b>At 30 June 2004</b>								
<b>Assets</b>								
Cash and cash equivalents	9,755	-	162,000	-	-	-	12	171,767

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

30. FINANCIAL RISK MANAGEMENT (cont'd)

(iii) Counterparty and credit risk

Counterparty and credit risk refers to the potential loss arising from any failure by counterparties to fulfil their obligations, as and when they fall due. The Group's credit exposure arises mainly from clearing related services for securities and derivatives transactions and guarantees provided. The Group has policies in place to only deal with counterparties who meet certain credit requirements, and require collateral where considered appropriate to reduce its risk.

(iv) Liquidity risk

The Group, through prudent liquidity risk management maintains sufficient cash and marketable securities, and available funding through adequate amount of committed credit facilities.

31. DERIVATIVE FINANCIAL INSTRUMENTS

The table below sets out the notional principal amounts of the outstanding forward foreign exchange contracts of the Group and the Company, and their corresponding favourable and unfavourable fair values at the balance sheet date:

	Notional principal		Favourable fair value		Unfavourable fair value	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
United States Dollar	150,633	-	-	-	1,170	-

The fair values of forward foreign exchange contracts have been calculated using the rates quoted by the Group's bankers to terminate the contracts at the balance sheet date.

At 30 June 2005, the settlement dates on forward foreign exchange contracts range between 1 and 3 months.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2005

### 32. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with the changes in presentation.

- (a) Certain operating revenue lines in financial year ended 30 June 2004 have been redefined or reclassified in the income statement as follows:
  - (i) Structured warrants clearing fees (\$0.2 million) were reclassified to net derivatives clearing revenue from securities clearing fees;
  - (ii) Access fees are separately disclosed. In the previous financial year, access fees formed part of access and terminal fees, which are now renamed to terminal and connection fees; and
  - (iii) Revenue previously classified as account maintenance and processing fees in the previous financial year is now categorised as securities related processing income (\$27.1 million) and account maintenance and corporate action fees (\$15.0 million). Certain revenue (\$3.2 million) has been reclassified from other operating revenue to form part of securities related processing income.

The revised presentation does not result in a change in the operating revenue of the Group.

- (b) Software is separately shown from property, plant and equipment on the balance sheet. The revised presentation does not result in a change in the net assets of the Group.

### 33. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue by the Board of Directors on 28 July 2005.

## STATISTICS OF SHAREHOLDINGS

As at 28 July 2005

Authorised Share Capital : \$1,000,000,000  
 Issued and Paid Up Capital : \$10,421,000  
 Class of Shares : Ordinary Shares of \$0.01 each  
 Voting Rights : One vote per share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	63	0.40	16,250	0.00
1,000 – 10,000	12,788	80.89	50,469,821	4.84
10,001 – 1,000,000	2,935	18.56	174,853,297	16.78
1,000,001 and above	24	0.15	816,760,632	78.38
<b>Total</b>	<b>15,810</b>	<b>100.00</b>	<b>1,042,100,000</b>	<b>100.00</b>

Based on information available to the Company as at 28 July 2005, approximately 92.37% of the issued ordinary shares of the Company are held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

## TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	SEL Holdings Pte Ltd <sup>1</sup>	249,991,184	23.99
2	Raffles Nominees Pte Ltd	194,857,613	18.70
3	DBS Nominees Pte Ltd	143,956,060	13.81
4	Citibank Nominees Singapore Pte Ltd	76,688,347	7.36
5	HSBC (Singapore) Nominees Pte Ltd	48,750,766	4.68
6	United Overseas Bank Nominees Pte Ltd	34,450,845	3.31
7	UOB Kay Hian Pte Ltd	11,461,906	1.10
8	Morgan Stanley Asia (Singapore) Securities Pte Ltd	10,107,357	0.97
9	Phillip Securities Pte Ltd	9,841,045	0.94
10	Leong Khuen Nyeon	5,190,000	0.50
11	Merrill Lynch (Singapore) Pte Ltd	4,242,560	0.41
12	DBS Vickers Securities (S) Pte Ltd	3,821,000	0.37
13	Nomura Securities Singapore Pte Ltd	3,700,000	0.36
14	DB Nominees (S) Pte Ltd	3,120,000	0.30
15	Wong Kong Choo	3,120,000	0.30
16	OCBC Nominees Singapore Pte Ltd	2,070,000	0.20
17	Wong Aun Phui	2,000,000	0.19
18	Tan Han Swee @ Tan Ah Heng	1,600,000	0.15
19	OCBC Securities Private Ltd	1,591,000	0.15
20	Oversea-Chinese Bank Nominees Pte Ltd	1,365,000	0.13
<b>Total</b>		<b>811,924,683</b>	<b>77.92</b>

## SUBSTANTIAL SHAREHOLDER

Name	Direct Interest	Deemed Interest	Total Interest	%
The Capital Group Companies, Inc.	–	78,448,575	78,448,575	7.5280

NOTE:

Deemed Interest held through:

1	BBH Dublin	550,000
2	Chase Manhattan Bank (Hong Kong)	42,000
3	Citibank N.A. (Sin)	693,000
4	DBS Nominees Pte Ltd	14,755,900
5	HongKong & Shanghai Banking Corp	330,000
6	HSBC	482,000
7	HSBC (Singapore) Nominees Pte Ltd	750,000
8	JP Morgan Chase Bank	600,000
9	Raffles Nominees Pte. Ltd.	58,833,675
10	State Street Australia Limited	188,000
11	United Overseas Bank Nominees Pte. Ltd.	1,224,000

<sup>1</sup>Pursuant to Section 11 (2)(b) of the Exchanges (Demutualisation & Merger) Act 1999 (the “Merger Act”), SEL Holdings Pte Ltd (“SEL”), being the special purpose company set up under the Merger Act to hold the SGX shares for the benefit of the Financial Sector Development Fund, shall not exercise or control the exercise of votes attached to the SGX shares. Owing to the restriction in the exercise of votes attached to the shares, SEL is not regarded as a substantial shareholder of SGX.



## NOTICE OF ANNUAL GENERAL MEETING AND BOOKS CLOSURE DATE

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of Singapore Exchange Limited (the “Company”) will be held at 2 Shenton Way, SGX Centre 1, 2nd Level SGX Auditorium, Singapore 068804 on 22 September 2005 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following Resolutions which will be passed as Ordinary Resolutions:

### A) ORDINARY BUSINESS

#### Resolution 1

To receive and adopt the Directors’ Report and the Audited Accounts for the year ended 30 June 2005 with the Auditors’ Report thereon.

#### Resolution 2

To re-appoint Mr Joseph Yuvaraj Pillay pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore, as a Director of the Company to hold such office from the date of this Annual General Meeting until the next Annual General Meeting of the Company.

#### Resolution 3

To re-elect the following Directors retiring by rotation under Article 99 of the Company’s Articles of Association (the “Articles”) and who, being eligible, offer themselves for re-election:

- (a) Mr Hsieh Fu Hua
- (b) Mr Loh Boon Chye
- (c) Mr Low Check Kian
- (d) Mr Tang Wee Loke

#### Resolution 4

To re-elect Mr Chew Choon Seng retiring under Article 104 of the Company’s Articles and who, being eligible, offers himself for re-election.

#### Resolution 5

To approve the sum of \$491,859 as Directors’ fees for the financial year ended 30 June 2005 (FY2004: \$489,900).

#### Resolution 6

To declare a final net (tax exempt one-tier) dividend of \$0.043 per share for the financial year ended 30 June 2005.

#### Resolution 7

To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.

### B) SPECIAL BUSINESS

#### Resolution 8

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

- (a) (i) issue shares in the capital of the Company (“shares”) whether by way of rights, bonus or otherwise; and/or

## NOTICE OF ANNUAL GENERAL MEETING AND BOOKS CLOSURE DATE

- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 10 per cent of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation and adjustments as may be prescribed by the Singapore Exchange Securities Trading Limited (“SGX-ST”)) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for:
  - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - (ii) any subsequent consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the Monetary Authority of Singapore) and the Articles for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

## NOTICE OF ANNUAL GENERAL MEETING AND BOOKS CLOSURE DATE

### Resolution 9

That approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the SGX Share Option Plan and to allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the SGX Share Option Plan, provided that the aggregate number of new shares to be issued pursuant to the SGX Share Option Plan shall not exceed 10 per cent of the total issued ordinary shares in the capital of the Company from time to time.

### C) TO TRANSACT ANY OTHER BUSINESS

By Order Of The Board



Joyce Fong Foong Chao (Ms)  
Company Secretary  
Singapore Exchange Limited  
25 August 2005

## NOTICE OF ANNUAL GENERAL MEETING AND BOOKS CLOSURE DATE

### STATEMENT PURSUANT TO ARTICLE 59 OF THE COMPANY'S ARTICLES OF ASSOCIATION

Ordinary Resolution 8 is to empower the Directors to issue ordinary shares in the capital of the Company and to make or grant Instruments (such as warrants or debentures) convertible into ordinary shares, and to issue ordinary shares in pursuance of such Instruments, up to a number not exceeding 50 per cent of the issued shares in the capital of the Company (the "50% Limit") with a sub-limit ("Sub-Limit") of 10 per cent for issues other than on a *pro rata* basis to shareholders. For the purpose of determining the aggregate number of ordinary shares that may be issued, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time that Resolution 8 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 8 is passed, and (b) any subsequent consolidation or subdivision of shares.

Although the Company's Articles of Association enable the Company to seek a mandate to permit its Directors to issue shares up to the 50% Limit if made on a *pro rata* basis to members, and up to a Sub-Limit of 20% if made other than on a *pro rata* basis to members, the Company is nonetheless only seeking a Sub-Limit of 10%. The Company believes that the lower limit sought for the issue of shares made other than on a *pro rata* basis to members is adequate for the time being and will review this limit annually.

Ordinary Resolution 9 is to empower the Directors to offer and grant options, and to issue new ordinary shares in the capital of the Company, pursuant to the SGX Share Option Plan which was approved by shareholders at the Extraordinary General Meeting on 1 November 2000 and as modified by the Committee from time to time, provided that the aggregate number of new ordinary shares to be issued shall not exceed 10 per cent of the total issued ordinary shares in the capital of the Company from time to time.

#### NOTES:

- 1) An ordinary shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote on his behalf.
- 2) A proxy need not be a member of the Company.
- 3) The instrument appointing a proxy or proxies (together with the power of attorney, if any, under which it is signed or a certified copy thereof) must be deposited at the registered office of the Company, at 2 Shenton Way #19-00 SGX Centre 1 Singapore 068804 not less than 48 hours before the time appointed for holding the Annual General Meeting.

### NOTICE OF BOOKS CLOSURE DATE AND PAYMENT DATE FOR FINAL DIVIDEND

The Company gives notice that, subject to the approval of the shareholders to the final dividend at the Annual General Meeting, the Register of Members and the Transfer Books of the Company will be closed from 28 September 2005 after 5.00 p.m. to 29 September 2005, both dates inclusive, for the preparation of dividend warrants. The Register of Members and the Transfer Books will re-open on 30 September 2005. Duly completed registered transfers of ordinary shares of \$0.01 each in the capital of the Company received by the Company's Share Registrar, Lim Associates (Pte) Ltd, at 10 Collyer Quay #19-08 Ocean Building, Singapore 049315 before 5.00 p.m. on 28 September 2005, will be registered in the Register of Members and the Transfer Books of the Company to determine shareholders' entitlements to the final dividend. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the final dividend will be paid by the Company to CDP which will, in turn distribute the entitlements to the final dividend to CDP account holders in accordance with its normal practice.

The final dividend, if approved by shareholders, will be paid on 10 October 2005.

#### NOTE:

This Notice of Annual General Meeting dated 25 August 2005 set out herein is for information purposes only. We have issued the Notice of Annual General Meeting to the Shareholders in accordance with Section 177 (2) of the Companies Act (Chapter 50), together with our Summary Annual Report.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

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

### COMPANY SECRETARY

Joyce Fong Foong Chao

### AUDIT COMMITTEE

Ho Tian Yee  
*(Chairman)*  
Lee Hsien Yang  
Loh Boon Chye  
Olivia Lum Ooi Lin  
Tang Wee Loke  
Geoffrey Wong Ee Kay

#### Secretary:

David Liew Kim Seng

### NOMINATING COMMITTEE

Low Check Kian  
*(Chairman)*  
J Y Pillay  
Ho Tian Yee  
Loh Boon Chye  
Ng Kee Choe

#### Secretary:

Joyce Fong Foong Chao

### APPEALS COMMITTEE

Low Check Kian  
*(Chairman)*  
Lee Hsien Yang  
Tang Wee Loke  
Colin Ng Teck Sim  
*(Non Director)*  
Lucien Wong Yuen Kuai  
*(Non Director)*

#### Secretary:

Joyce Fong Foong Chao

### REMUNERATION COMMITTEE

Ng Kee Choe  
*(Chairman)*  
J Y Pillay  
Hsieh Fu Hua  
Chew Choon Seng  
Low Check Kian  
Geoffrey Wong Ee Kay

#### Secretary:

Joyce Fong Foong Chao

### RISK MANAGEMENT COMMITTEE

Loh Boon Chye  
*(Chairman)*  
J Y Pillay  
Hsieh Fu Hua  
Ho Tian Yee  
Ng Kee Choe  
Robert Owen

#### Secretary:

Joyce Fong Foong Chao

### CONFLICTS COMMITTEE

Robert Owen  
*(Chairman)*  
Low Check Kian  
Olivia Lum Ooi Lin

#### Secretary:

Joyce Fong Foong Chao

### EXECUTIVE COMMITTEE

Hsieh Fu Hua  
*(Chairman)*  
Ang Swee Tian  
Chew Hong Gian  
Gan Seow Ann  
Linus Koh Kia Meng  
Seck Wai Kwong  
Daniel Tan Bak Hiang  
Yeo Lian Sim

#### Secretary:

Lily Chia Puay Lee

### INVESTOR RELATIONS

John Gollifer  
Tel: (65) 6236 8540  
Email: johngollifer@sgx.com

### REGISTERED OFFICE

Singapore Exchange Limited  
2 Shenton Way  
#19-00 SGX Centre 1  
Singapore 068804  
Tel: (65) 6236 8888  
Fax: (65) 6535 6994  
Website: www.sgx.com

### SHARE REGISTRAR

Lim Associates (Pte) Ltd  
10 Collyer Quay #19-08  
Ocean Building  
Singapore 049315

#### Person-in-charge:

Sebastian Tan Cher Liang

### AUDITORS

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

#### Partner-in-charge:

Chua Kim Chiu  
*(appointed from 1 July 2004)*





Singapore Exchange Limited  
Company Registration No: 199904940D

2 Shenton Way  
#19-00 SGX Centre 1  
Singapore 068804  
Website: [www.sgx.com](http://www.sgx.com)