

## **SINGAPORE EXCHANGE LIMITED**

### **A SUMMARY OF THE PROCEEDINGS AT THE SIXTH ANNUAL GENERAL MEETING ("AGM") OF THE SINGAPORE EXCHANGE LIMITED HELD ON 22 SEPTEMBER 2005 AT SGX AUDITORIUM, 2<sup>ND</sup> LEVEL, SGX CENTRE 1, 2 SHENTON WAY, SINGAPORE 068804.**

#### **1. Resolutions passed**

All resolutions tabled at the AGM were passed.

#### **2. Directors' Report and Audited Accounts**

##### **2.1. SGX-DT Compensation Fund**

A shareholder referred the meeting to page 127 paragraph 25 of the Annual Report, and noted that the SGX-DT Compensation Fund was to be wound up in 2006. He asked:

- (a) what action plan the Trustees had in mind for the distribution of the Compensation Fund;
- (b) whether it meant that people who trade will have no protection; and
- (c) whether there would be a substitute fund.

The CFO responded that SGX was in discussions with the Trustees on the action to be taken. He said that there was another fund – the Fidelity Fund – which also offered investor compensation, so investors would be adequately protected.

##### **2.2. Contingent Liabilities**

A shareholder referred the meeting to page 129 paragraph 26 of the Annual Report and commented that there was a lot of cash "hidden" in margin funds. He asked:

- (a) what fiduciary duty SGX had to the various owners of the funds; and
- (b) whether SGX had any plans to dissolve the funds or charge a management or custodian fee commensurate with the degree of responsibility.

The CFO responded that such margin funds are held in trust for the members. The cash does not belong to SGX and the company charges a small administrative fee for holding it.

2.3. Licence fees payable to MAS

A shareholder referred the meeting to page 131 of the Annual Report and asked why SGX had to pay S\$8 million to MAS.

Chairman responded that this composed of: (i) fees paid to MAS for their assumption of the inspection function, and (ii) annual regulatory fees which were set by MAS, as SGX's regulator.

2.4. Income Statements

A shareholder referred the meeting to page 88 of the Annual Report and asked what the price information fees of S\$15 million related to.

Chairman responded that these are fees SGX receives for the sale of its data, and not fees which SGX pays.

A shareholder referred the meeting to page 114 of the Annual Report and asked why professional charges had increased by S\$1 million.

CEO responded that this was largely due to services rendered to upgrade SGX's technology systems.

2.5. SGX subsidiaries

A shareholder referred the meeting to page 107 of the Annual Report and asked which companies Macronet Information Pte Ltd was providing corporate share registration services to.

The CFO responded that this was an inactive company. SGX no longer provides share registration services and is in process of winding down Macronet. Chairman suggested that, in future, the Annual Report could indicate which companies are inactive.

2.6. Auditors' Fees

A shareholder asked why audit fees had increased even though trading volume and profits had decreased.

The CFO clarified that the increase was mainly attributable to the move to quarterly reporting and additional corporate governance requirements.

A shareholder asked whether the Board had considered adopting an auditor rotation policy.

Mr Ho Tian Yee, Chairman of the Audit Committee, responded that there is a complete change of the audit team on a periodic basis.

### **3. New IPOs**

#### **3.1. Allocation to public**

Several shareholders requested that the proportion of shares offered to the public for new IPOs be increased, especially where demand is strong.

Ms Yeo Lian Sim, Head of Risk Management and Regulation, responded that the percentage of IPO shares offered to the public is a commercial decision left to the issuers. SGX's listing rules already ensured that the initial spread and subsequent liquidity were sufficient. Management would take note of the suggestion, but any change to the rules would require a lengthy process of public consultation.

### **4. Share options**

#### **4.1. Options granted to Directors**

A shareholder asked whether options granted to directors were declared in the Annual Report.

Chairman replied that SGX had fully disclosed all directors' interests in SGX shares on pages 78 and 79 of the Annual Report. Other than the CEO, no director received options, so no further declarations were necessary. Senior management's remuneration was disclosed in narrower bands of S\$150,000, instead of the S\$250,000 band recommended by the Corporate Governance Code.

#### 4.2. CEO's share options

A shareholder referred the meeting to page 114 paragraph 13(e) of the Annual Report and asked whether CEO's waiver of his entitlement to 2 million share options was permanent since the waiver would be taken into account when granting CEO any shares under future share plans approved by shareholders.

CEO confirmed that the waiver was permanent. Chairman added that although SGX intended to move from a share option scheme to a performance share plan, this was subject to shareholder approval and no decision on the actual allocation of shares had been taken yet.

#### 4.3. 10% limit

A shareholder referred to Resolution 9 and asked how the 10% limit would be calculated.

Chairman responded that the share issue limit for both the Share Option Plan and the Performance Share Plan (if approved) would not exceed 10% of the approximately S\$10 million issued share capital of SGX, i.e. approximately S\$1 million.

#### 4.4. Option scheme to be replaced with share scheme

A shareholder asked whether the Share Option Scheme would be redundant after the Performance Share Plan is approved at the EGM.

Company Secretary said that if the Performance Share Plan is approved, there would be no further grants under the Share Option Scheme and Resolution 9 would cease to have any effect. Chairman added that in the event the Performance Share Plan is not approved, SGX would continue with the present Share Option Scheme. SGX would not have 2 schemes.

### 5. **SGX business strategy**

#### 5.1. Exploitation of Intellectual Property

A shareholder referred the meeting to page 106 of the Annual Report and asked whether SGX owned the intellectual property of software developed in-house. And if so, whether SGX could earn additional income through patenting and licensing.

Mr Chew Hong Gian, Head Technology, responded that although SGX owns the intellectual property to software developed in-house, SGX also licences some software from third parties. SGX had no plans to be a software vendor as that move would be a significant deviation from its current business.

5.2. Data fees

A shareholder asked whether SGX's intention to charge a monthly per user fee of S\$3 contradicted its strategy to increase retail participation.

CFO responded that the subject was under discussion. However other exchanges charge similar fees and their retail markets continue to grow.

**6. Dividends**

6.1. Cost of quarterly pay-out

A shareholder asked whether an annual payout of 6% would be more cost-effective than quarterly pay-outs of 1.5%.

The CFO responded that the costs are minimal, and in any case most of the fees are paid to SGX's subsidiary, The Central Depository (Pte) Limited.

6.2. Dividend Policy

A shareholder asked how long the policy of 6 cents net or 80% of profit after tax would continue.

The CFO responded that SGX's intention was to apply it on a permanent basis as long as its business remained viable.

A shareholder referred the meeting to page 113 of the Annual Report and asked why the dividend pay-out fluctuated widely from year to year. He suggested the dividends be paid out in more consistent amounts.

Chairman responded that most shareholders preferred that dividends be paid out as soon as possible. SGX's intention was to return all genuinely surplus cash to shareholders at the earliest opportunity.

6.3. Section 44 Tax Credits

A shareholder asked whether SGX's Section 44 tax credits had been exhausted.

The CFO responded that these had been fully utilised.

**7. Directors**

7.1. Size of board

A shareholder commented that the size of the board was larger than it should be and that 6 to 7 directors was sufficient. SGX could set an example to other listed companies by down-sizing.

The Chairman said that the size of the board was appropriate for SGX's complex business as a self-regulatory organisation with commercial interests. Also, full attendance at meetings was not always possible, so more directors were needed for diversity of views.

7.2. Number of board committees

A shareholder asked whether all SGX's board committees were necessary.

The Chairman responded that most of the committees (Audit, Nominating, Remuneration and Conflicts) were mandatory. The Appeals Committee would be disbanded as a board committee. The Risk Management Committee was necessary to ensure good internal controls. The Exco was not a board committee.

**8. Share Issue Mandate**

8.1. Necessity

A shareholder asked whether Resolution 8 was necessary given that SGX had never made use of it.

Chairman responded that the company had periodically considered the need for that mandate, but decided to retain it for flexibility.

## 8.2. Bonus shares

A shareholder suggested that SGX issue bonus shares to improve liquidity.

Chairman responded that SGX would bear this in mind.

## 9. **General Matters**

### 9.1. Company meetings

A shareholder commented that he was unable to attend general meetings of all listed companies he was a shareholder of, as some were held on the same day. He asked why SGX required such meetings to be held within 4 months from the financial year-end and whether this served shareholders' interest.

Chairman responded that the holding of AGMs was a Companies Act requirement. SGX could not dictate to companies when to hold their AGMs.

Mr David Gerald from SIAS said that SIAS would be happy to champion this issue speak to the appropriate authorities on the shareholder's behalf.

### 9.2. Regulatory breaches

A shareholder commented that he had suffered losses as a result of the scandals involving Informatics, CAO and ACCS. He asked that SGX tighten its regulatory measures, and play a more active role to ensure that such breaches of the law do not occur in future. He suggested that the Corporate Governance Code be enforceable against listed companies.

Chairman responded that he sympathised with the shareholder's losses. He agreed that it was in SGX's long-term interests to maintain a strong regulatory system. While SGX has an important regulatory role, SGX is not the sole and entire guardian of the capital market. SGX's role is to ensure that listing rules were in place and properly enforced. Changes to such rules would involve a consultation process with the market participants. In relation to the Corporate Governance Code, SGX does not own the content, although it supports its enforcement.

Chairman said that when it comes to fraud or non-compliance with a firm's own risk management processes, there is little the authorities can do unless such matters

come to their attention through whistleblowers. SGX would be happy to discuss specific concerns of the investing public at a more appropriate forum.

CEO added that one of the cornerstones of SGX's objectives was 'delivery excellence' built on an effective and strong regulatory framework.

### 9.3. Commendations

Shareholders commended SGX for:

- (a) excellent customer service, in particular services offered by CDP;
- (b) setting out clear meeting etiquette guidelines;
- (c) comprehensive layout of annual report;
- (d) CEO's waiver of his 2 million share options.

The meeting ended at 12.25 p.m.