

# Financial Highlights for the Group

All financial figures are expressed in Singapore dollars

	<b>FY2002</b> <b>(Year ended 30 June 2002)</b>	<b>FY2001</b> <b>(Year ended 30 June 2001)</b>
<b>For the Year</b> (in \$ million)		
Operating Revenue	<b>228</b>	217
Operating Expenses	<b>171</b>	145
EBITDA	<b>81</b>	92
Operating Profit	<b>57</b>	72
Non-Operating Revenue	<b>20</b>	(3)
Net Profit	<b>61</b>	49
<b>At Year-End</b> (in \$ million)		
Net Current Assets	<b>566</b>	554
Total Assets	<b>2,804</b>	3,109
Total Liabilities	<b>1,914</b>	2,227
Shareholders' Funds	<b>837</b>	831
Shares Issued (in million)	<b>1,000</b>	1,000
<b>For the Year</b>		
Revenue Growth	<b>5.3%</b>	-
Operating Profit Margin	<b>24.9%</b>	33.3%
Net Profit Margin	<b>24.5%</b>	23.0%
Return on Shareholders' Funds	<b>7.3%</b>	5.9%
<b>Per Share Data</b>		
Gross Dividend (in cents)	<b>7.3</b>	7.3
Gross Yield	<b>6.3%</b>	6.3%
Basic Earnings (in cents)	<b>6.09</b>	6.47
Net Tangible Assets (in cents)	<b>83.66</b>	83.09
Average Price (in \$)	<b>1.19</b>	1.25
Price at Year-End (in \$)	<b>1.16</b>	1.16

# Securities Market

All financial figures are expressed in Singapore dollars

	FY2002	FY2001	Performance in FY2002 as compared to FY2001
Trading volume :	109.4 billion shares	93.7 billion shares	+16.7%
Turnover value :	\$132.4 billion	\$146.3 billion	-9.5%

No. of accounts maintained in the Central Depository (as at 30 June 2002)

Direct accounts : 1.13 million (of which 99% were held by individuals)

Sub-accounts maintained by depository agents : 56,118

No. of securities custodied with the Central Depository (as at 30 June 2002)

206.21 billion

New listings in FY2002

Total no. : 26

Total amount raised : \$284.6 million

No. of listed companies and their market capitalisation (as at 30 June 2002)

	SGX Mainboard	SGX Sesdaq	Exchange Total
No. of companies listed :	383	113	496
Market capitalisation :	\$326.4 billion	\$4.1 billion	\$330.5 billion

## Derivatives Market

	FY2002	FY2001	Performance in FY2002 as compared to FY2001
Trading volume (in no. of contracts)	: 31.5 million	28.1 million	+12.2%

	As at 30 June 2002	As at 30 June 2001	Performance in FY2002 as compared to FY2001
Open Interest (in no. of contracts)	: 614,215	766,268	-19.8%

### Top six performing derivatives contracts in FY2002 (in no. of contracts)

	FY2002	FY2001	Performance in FY2002 as compared to FY2001
Eurodollar Futures	18,345,516	12,790,517	+43.4%
Nikkei 225 Index Futures	4,617,916	4,339,327	+6.4%
MSCI Taiwan Index Futures	4,270,925	3,688,932	+15.8%
Euroyen TIBOR Futures	2,192,341	4,842,538	-54.7%
10-Year Japanese Government Bond Futures	637,014	575,339	+10.7%
MSCI Singapore Index Futures	559,381	469,217	+19.2%

# Summary of Financial Performance

All financial figures are expressed in Singapore dollars

## Net Profit / Operating Profit

The Group recorded \$60.9 million net profit after tax and minority interests, and \$57.0 million operating profit for the current financial year. This is compared to \$49.0 million net profit after tax and minority interests, and \$72.4 million operating profit for the previous financial year ended 30 June 2001. The lower operating profit for the current financial year included an exceptional provision of \$7.0 million for surplus leased premises, and \$4.4 million operating loss of Asia Converge Pte Ltd, a subsidiary incorporated in the current financial year.

## Operating Revenue

The Group generated operating revenue of \$228.5 million for the current financial year, compared to \$217.0 million for the previous financial year ended 30 June 2001. The 5.3% increase is attributable to the increase in revenue from both the securities and derivatives markets.

Although securities trading value dropped 9.5% to \$132.4 billion in the current financial year, from \$146.3 billion of the previous financial year, the trading volume increased by 16.7% to 109.4 billion shares in the current financial year from 93.7 billion shares in the previous financial year. Securities clearing fees increased by 4.2% to \$76.5 million from \$73.4 million despite the decrease in trading value, mainly due to an increase in volume of non-capped transactions.

Access and terminal fees increased by 3.6% to \$32.2 million in the current financial year from \$31.1 million in the previous financial year, mainly due to the monthly SESOPS fee increase from \$400 to \$480 per terminal from 1 October 2001 onward.

Derivatives trading registered record volume on a 12.2% increase to 31.5 million contracts in the current financial year from 28.1 million contracts in the previous financial year, largely on higher Eurodollar trading volume. This resulted in a 16.4% increase in derivatives clearing fees and related income to \$39.3 million from \$33.8 million.

## Operating Costs

Total operating costs increased by 18.6% to \$171.5 million in the current financial year from \$144.6 million of the previous financial year. Excluding the \$7.0 million exceptional provision for surplus leased premises, the operating costs increased by 13.7%, in line with our expectation of a 15% increase driven by new initiatives and other capacity building efforts initiated by the Group.

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The current financial year figure included \$7.6 million in consolidated non-intercompany expenses of Asia Converge Pte Ltd, which in turn represented 28.2% of the total operating cost increase between the two financial years.

Total staff costs for the current financial year included a first time accrual of \$1.9 million for staff's unutilised leave balance, as required under SAS 17, a new accounting standard on employee benefits and \$3.6 million of staff costs related to Asia Converge Pte Ltd. Excluding these items, the Group's staff costs increased by 10.8% between the two financial years.

Occupancy costs and depreciation charges increased by 24.0% and 19.3% respectively mainly due to relocation to the new SGX Centre premises during the current financial year.

Other major expenses for the current financial year included \$0.7 million fixed asset write-off on relocation to the new premises at SGX Centre, and \$1.9 million various other expense items incurred by Asia Converge Pte Ltd.

## Performance of the Securities Market

For the current year ended 30 June 2002, the securities market generated \$154.2 million of operating revenue and \$84.1 million of segment profit. This compared to \$148.3 million of operating revenue and \$83.0 million of segment profit for the previous year ended 30 June 2001.

During the current financial year, our performance has been impacted by a weaker global economy leading to declining trading values in global securities markets, including ours. The market conditions also discouraged new listings, which dropped to 26 in the current financial year from 65 in the previous financial year.

As a result of recent consolidations and mergers of local brokers, the number of securities market members dropped to 26 as at 30 June 2002 from 32 as at 30 June 2001.

## Performance of the Derivatives Market

For the current year ended 30 June 2002, the derivatives market generated \$58.9 million of operating revenue and \$10.5 million of segment profit. This compared to \$55.4 million of operating revenue and \$9.5 million of segment profit for the previous year ended 30 June 2001.

The volume growth in the current financial year was mainly attributable to the active trading in Eurodollar contracts due to increased volatility of interest rates on the actions by the US Federal Reserve Board during the financial year. Eurodollar trading volume in the current financial year increased 43% to 18.3 million contracts from 12.8 million contracts in the previous financial year, and represented 58% of our total derivatives volume for the current financial year. The MSCI Taiwan Index Futures Contract's trading volume grew by 16% to 4.3 million contracts in the current financial year compared to 3.7 million contracts in the previous financial year. Euroyen trading volume, in contrast, fell by 55% to 2.2 million contracts, on lower yen interest rate volatility.

With respect to domestic products, the Singapore Government Bond Futures Contract, which started in June 2001, registered a total trade of 129,503 contracts for the current financial year. Singapore Dollar Interest Rate Futures Contract recorded a total trade of 115,592 contracts during the current financial year, an increase of 6% over the previous financial year. Since its launch on 26 October 2001, Single Stock Futures recorded a total trading volume of 17,036 contracts up to 30 June 2002.

Trading volume in our electronic market increased by 19.9% to 1.5 million contracts in the current financial year from 1.3 million contracts in the previous financial year. This was mainly attributable to business development and marketing efforts, on the Singapore equity index and the new Singapore-dollar government bond products.

## Investment Performance

The investment portfolio managed by independent fund managers appreciated by \$15.2 million in the current financial year, compared to appreciation of \$6.4 million in the previous financial year. Declining interest rate in the current financial year, as well as the relatively weak equity market conditions were conducive to the fixed income market performance.

Interest from bank deposits amounted to \$3.8 million for the current financial year, \$4.6 million lower than the previous financial year, mainly on declining interest rates.

## Balance Sheet

The Group remained debt-free and its major assets included \$317.5 million placed with independent fund managers, \$253.0 million of cash and cash equivalents, and the SGX Centre premises at net book value of \$212.6 million. The Group's net assets amounted to \$836.6 million as at 30 June 2002, up by \$5.7 million from \$830.9 million as at 30 June 2001.



## Mission Statement

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.





SGX CENTRE 1

# Chairman's Statement

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The year under review marks the first full year of SGX as a listed company on its own board. SGX has now existed as a demutualised and merged exchange for capital raising and the trading and clearing of securities and derivatives for two-and-a-half years.

## Unfavourable Economic and Market Conditions

The environment in that period has not been particularly hospitable. Several factors contributed to the unfavourable backdrop: the slowdown in the world economy; the setbacks of the so-called new economy; the drawn-out efforts by countries in the region to reform their financial systems, improve corporate governance and restructure their economies; as well as falling stock market indices and trading volumes. They have all left their mark on the securities business of SGX. The derivatives business, though, has seen growth of about 12% a year, as a result of continuing volatility in financial markets, as well as our ongoing efforts to widen the spectrum of risk management products and services on offer.

## Robust Response by SGX

In response to the challenges posed, SGX has been actively marketing Singapore as a preferred listing venue for corporates in Singapore and the rest of Asia. At the same time, we have been cementing our links with brokerages, fund managers, other financial institutions, and retail investors. We have offered open-access facilities to securities brokers that enable them to use order-management systems of their choice, permitting them to differentiate their respective services. That facility effectively enhances distribution of the order book globally.

SGX is working on the close integration of the securities and derivatives markets through the use of common terminals and the consolidation of capital requirements. We have embarked on a study to improve our trading and clearing systems to raise them to the most advanced global standards. We have launched a business for the borrowing and lending of securities, which could lead to the development of equity options trading. And, we are proceeding with preparations for the development of a straight-through-processing, or STP, infrastructure. STP will increase settlement efficiency, and facilitate a shorter settlement period should market forces dictate the need for it. We shall work with our broking members to introduce the benefits of STP to the entire industry.

## Financial Performance

Profit after tax and minority interests rose 24.2%, to S\$60.9 million. Because of the slowdown in securities trading, revenue generated during the year rose just 5.3%, to S\$228 million.

## Market Surveillance

For market surveillance, SGX has introduced new technology that enhances its ability to closely monitor securities trading, and immediately detect signs of unusual movements in the market. Thus, SGX is in a position to take corrective action when warranted. In this matter, professional judgement is crucial. There will, no doubt, be contrary views on action or timing; the regulator, presumed to be acting with the clarity bred of experience, technology and knowledge of the circumstances, should be entitled to the benefit of any doubt.

## International Alliances

On the international front, SGX has forged a close working relationship with the Australian Stock Exchange (ASX). A co-trading link was established in December 2001, with about 50 stocks in each market offered for trading in the initial phase. Apart from working together to promote the use of the co-trading link, the two exchanges are currently engaged in exploring areas for greater cooperation. SGX expects that the framework of cooperation forged between the two exchanges will constitute a template for the expansion of the bilateral relationship to other like-minded and forward-looking exchanges in the region.

## Staff Consolidation and Integration

We have now consolidated our staff numbers. Indeed, there was a reduction of some 6% during the course of the year, without any apparent fall in output or outcomes or quality of service provided. It appears that the process of internal integration is proceeding reasonably well, although there still is some way to go in achieving the full benefits of a truly merged exchange.

## Corporate Governance

SGX is mindful of the need to observe the spirit and the letter of the Corporate Governance Code, or CGC. We shall continue the move towards greater disclosure and transparency across our systems and process of governance. We are conscious of our role, not only as a listed company, but as a self-regulatory organisation, in observing the tenets of the CGC.

## Acknowledgements

It remains for me to thank my colleagues on the Board of Directors, CEO Thomas Kloet, management and staff, and all our constituencies for their support during a difficult year. Mr Kloet leaves SGX well positioned with a strong management team in place to build upon the achievements of his tenure in office.

We do not know what lies in store in the ensuing year. After three testing years, we look forward to some satisfaction for the years of struggle.



J Y Pillay

Chairman

20 August 2002



## CEO's Message

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By any measure, the past year has been a challenging one for markets around the world, driven principally by a global economic slowdown. The performance of our market followed global markets, with the benchmark Straits Times Index falling 10% for the 12 months ended 30 June 2002.

In the midst of this challenging environment, SGX remained focused on responding to customer needs and delivering valuable products and services to our markets. As we continue our efforts to enhance our products and services offering, extend our distribution and improve our market's infrastructure, we are confident that the innovative steps we take today will further develop the vibrancy and sophistication of our market and provide the foundation for long-term growth.

### Marketplace Development

Among the most far-reaching new products delivered this year was our securities lending facility linked to our Central Depository. We believe that this facility, which was launched in January 2002, provides an important new income earning opportunity for investors and exciting new trading opportunities for market participants. A successful securities lending facility is necessary for the development of an equity options market and will increase the liquidity in our securities market.

This year we also listed Singapore's first benchmark exchange traded fund (ETF), the streetTRACKS<sup>SM</sup> Straits Times Index Fund, which began trading in April 2002. This ETF allows investors to trade a portfolio of Singapore blue chip stocks in a single stock transaction continuously priced throughout the day. We believe that customers will find the product a cost efficient means by which to own an index-tracking and diversified portfolio of stocks.

As mentioned in the Chairman's statement, our alliance network expanded with the launch of our co-trading link with the Australian Stock Exchange in December 2001. This link joins our established market linkages with a number of important international securities and derivatives markets. Together they represent an important part of our effort to diversify the product offerings in our market and expand the distribution of our products to new participants.

During the course of the year, we implemented a listing strategy designed to attract companies from throughout the Asia-Pacific region. Supported by demonstrated investor interest, a sound

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and transparent regulatory environment and the presence of a substantial fund management community, our efforts have had some initial success. At year-end, about 20% of our listings originated from overseas.

Our securities market volume for the year increased by 16.7% to 109.4 billion shares traded. Despite this increase, the value of trades fell by 9.5% to S\$132.4 billion for the year. Certainly investor sentiment and macro-economic factors played a large part in SGX's securities market performance in this past year.

In our derivatives market, we expanded our suite of equity index products by listing the MSCI Japan Futures Contract. Offered on our derivatives market's electronic trading system, this product responds to our customers' interest in trading an electronically listed Japanese index which complements our floor-traded Nikkei Index. We also launched a set of single stock futures, a product that provides securities market participants with an efficient new hedging device.

Demand for the risk management and trading products offered by our derivatives market increased this past year, principally due to short-term interest rate volatility. Volume in our benchmark derivative product, Eurodollar Futures, increased by 43.4% during the year, aided by a series of interest rate cuts by the US Federal Reserve and our distribution efforts.

During the uncertainty immediately after the September 11 attack on the United States, the world looked to our derivatives market to deliver crucial price discovery and liquidity for managers to hedge their exposures, especially in short-term interest rate products. Our members continued to serve their customers with commitment, determination and professionalism during that period, despite extremely difficult circumstances, and provided important benchmark pricing across a number of instruments.

Our total derivatives volume for the year increased by 12.2% to over 31 million contracts for the year. This represented about US\$20.7 trillion in notional value traded.



## Marketplace Transparency

The shift towards a disclosure-based regime began in Singapore four years ago. As an integral part of the investment framework in Singapore, SGX has been supporting this effort, both in our market regulation efforts and through investor education. We recognise that confidence in the marketplace is dependent on many factors, including a transparent and comprehensible set of rules, the availability of quality and comprehensive financial information for investors, excellence in corporate governance and an effective enforcement regime.

As part of our effort to promote these principles, we embarked on a review of our securities listing manual to clarify issuers' responsibilities under our rules and to ensure that they remain relevant in the new century. This review included a public consultation process, where interested parties including investors, issuers, intermediaries and other stakeholders were invited to comment on proposed amendments. This process is now complete and the new listing manual became effective on 1 July 2002. A similar public consultation process is underway with respect to our securities market trading rules and bye-laws.

The Corporate Governance Code, which was created by a private sector-led committee last year, has been supported by a listing rule that requires the disclosure of corporate governance practices and an explanation for any area of non-compliance with the Code. We will continue our efforts to assist our listed companies with understanding their obligations under the Code ahead of the required implementation next year.

From July 2002, we launched SGX Securities Book, a new facility which provides investors with the opportunity to subscribe to full order book information through our data vendor network and our member firms. Empowering investors with enhanced data will provide them with additional information of value when making their investment decisions.

## Moving Ahead

We have taken several other strategic steps towards our further development as a marketplace. These efforts include significant infrastructural improvements, technological advancements of our trading and clearing engines and important updates to our regulatory models.

Included in our priorities for the coming year are the completion of our technology infrastructure review and the continued marketing of our SGXAccess technology gateway for our securities



market. We also intend to launch a Middle East Crude Oil Index Futures Contract under a cooperation agreement with the Tokyo Commodity Exchange. In our securities market, we have listed the first Real Estate Investment Trust and will continue to introduce more innovative products, as well as extend existing services, such as securities lending.

Despite the challenging environment of this past year, SGX has continued the ambitious set of initiatives that began with our demutualisation in December 1999. We remain committed to responding to the needs of our customers and delivering the solutions they desire.

The accomplishments of this past year would not have been possible without the leadership of our Board, the support of our members and customers, the commitment of our shareholders and the dedication of our staff. Each has actively contributed to the success of this past year and we look forward to a rewarding and exciting year ahead.



Thomas A. Kloet

CEO

20 August 2002

# Highlights of the Year

## WIDENING OUR PRODUCT RANGE



October 2001

### Launched Single Stock Futures (SSF) Contracts

The introduction of SSFs is the result of the synergy derived from the integration of our securities and derivatives markets. With SSFs, institutional and individual investors will have a versatile financial tool to better manage their investments and maximise their profitability by taking advantage of varying market opportunities.

January 2002

### Launched SGX Securities Lending Programme

This programme allows retail and corporate investors to participate as lenders, providing them with more flexibility in their investment strategies. We now have 1,158 registered lenders and a pool of 492 million shares valued at S\$740 million.\*

\*as at 30 June 2002

April 2002

### Launched streetTRACKS<sup>SM</sup> Straits Times Index Fund

With Singapore's first local exchange traded fund (ETF), investors can now invest in a portfolio of local blue chip companies' stocks in a single transaction. The streetTRACKS<sup>SM</sup> STI is the first ETF to be included in the Central Provident Fund Investment Scheme – Ordinary Account.



**May 2002**

### **Launched MSCI Japan Index Futures Contract**

International investors can now trade and manage their risk using an important Japanese equity index on which assets of over US\$500 billion are benchmarked.

## **EXTENDING OUR GLOBAL REACH**

**October 2001**

### **Announced Plans to Pursue a Strategic Alliance with the Tokyo Stock Exchange**

The two exchanges have agreed to explore initiatives relating to the co-trading and clearing of products listed on both exchanges, new product development, marketing, information technology development and information sharing. These initiatives will broaden the distribution and enhance the liquidity of products traded on both markets, ultimately creating wider investment opportunities for investors in both markets.

**December 2001**

### **Established Co-Trading Linkage with the Australian Stock Exchange**

This linkage, the first of its kind in the world, allows investors in Australia and Singapore to co-trade selected securities in each other's market directly and cost efficiently, through brokers in their own countries, whenever the respective markets are open.



**January 2002**

### **Launched Multi-Market Access for Derivatives Members**

Our derivatives members can now access overseas derivatives markets directly from the exchange's derivatives trading floor and electronic trading room via GL NET™. This initiative

adds to our existing relationships and linkages with Bloomberg and independent system vendors such as Patsystems and Easyscreen, enhancing the global connectivity of our derivatives market.

**April 2002**

### **Formed Strategic Alliance with the Tokyo Commodity Exchange (TOCOM)**

In an agreement signed with TOCOM, our derivatives trading division will launch a Middle East Crude Oil Index Futures Contract (in US\$/barrel). This cooperative relationship will strengthen the core functions of futures markets – to hedge risk and achieve price discovery – in the Asia-Pacific region, and contribute to the market development of both exchanges.

## **ENHANCING THE REGULATORY FRAMEWORK**

**November 2001**

### **Enhanced Soundness of Securities Market with Automated Surveillance System**

A real-time automated market surveillance system, “SMARTS”, employs up-to-date technology which automatically detects irregular market behaviour such as unusual price movements or trading volumes. The ability of SMARTS to replay historical trading will allow investigators to identify the sequence of orders, quotes or trades that gave rise to a particular situation, providing for more efficient, effective and accurate investigations.

**May 2002**

### **Announced Review of SGX Securities Trading Rules and Bye-Laws**

The review aims to bring the SGX-ST Rules and Bye-Laws in line with current market practices and the new Securities and Futures Act and Regulations. A public consultation process is underway and we expect the review to be completed by the second quarter of 2003.

**July 2002**

### **Implemented new Listing Manual**

Meeting the changing market needs and reflecting current industry practices, this new listing manual incorporates the inputs from listed companies, professionals, shareholders, other industry players and members of the public.

## IMPROVING CUSTOMER SERVICE STANDARDS



**September 2001**

### Introduced Central Depository (CDP) Internet Access Service

Direct securities account holders can now enjoy secure online access to their shareholdings and portfolio value. This service allows users to view updates to their shareholdings, helping them make more timely investment decisions.

**September 2001 & June 2002**

### Fostering Closer Ties with our Listed Companies

Two sessions of “Fostering Closer Ties” were held in the year. The first session in September focused on helping our listed companies understand the role of investor relations. The second in June updated our listed companies on the key amendments to the listing manual, the modifications in the corporate disclosure policy and the proposed trading halt rules.



## BUILDING OUR MARKET INFRASTRUCTURE

### Moving Towards a Straight-Through-Processing (STP) Environment

We are now embarking on phase two of our initiative to develop an STP infrastructure for our securities market. We expect this phase of STP to be ready in 18 to 24 months. When launched, STP will reduce the operating and business costs, lower the settlement risk and provide more timely risk management information for participants in the Singapore securities market.

## Board of Directors

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**J Y Pillay**

Chairman  
Singapore Exchange Limited

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

Mr Pillay has held a variety of positions in the government of Singapore (1961-1995), rising to permanent secretary in 1972. He served in the ministries of finance, defence and national development. Between 1985 and 1989, Mr Pillay was the Managing Director of the Monetary Authority of Singapore (MAS) and of the Government of Singapore Investment Corporation. He was High Commissioner to the United Kingdom from 1996 to 1999. Mr Pillay has served, in a non-executive capacity, as chairman of the board of several government-linked companies: Temasek Holdings (Private) Limited (1974-1986), Development Bank of Singapore Ltd (1979-1984), Singapore Technologies Holdings (Private) Limited (1991-1994) and Singapore Airlines Ltd (1972-1996). He served as Chairman of the International Advisory Panel of the MAS from 1999 to 2000. Mr Pillay now serves as member of the Investment Committee of the United Nations Pension Fund, as Chairman of Commonwealth Africa Investments Limited, as member of the Board of Governors of Asia-Europe Foundation, as Chairman of the Council on Corporate Disclosure and Governance, as member of the Financial Sector Development Fund Advisory Committee of the MAS, as Life Trustee of the Singapore Indian Development Association, and as member of the Council of Presidential Advisers of the Republic of Singapore. Mr Pillay graduated with a first-class B.Sc (Hons) degree from Imperial College London in 1956. He was conferred with an honorary PhD in Law from the National University of Singapore in 1996, and with a Fellowship of Imperial College in 1997.



**Thomas A. Kloet**

Chief Executive Officer  
Singapore Exchange Limited

Mr Kloet has served as a non-independent director on the SGX Board since 24 April 2000. Mr Kloet joined SGX as its Chief Executive Officer on 24 April 2000. Prior to this, Mr Kloet was a Senior Managing Director for ABN AMRO, Inc., the US investment banking and broker-dealer subsidiary of ABN AMRO Bank, NV, where he was responsible for the derivatives brokerage business throughout the Asia-Pacific region, including Singapore. Mr Kloet was also a Senior Vice President of ABN AMRO Bank, NV. From 1990 through 1997, Mr Kloet was Chief Operating Officer of Credit Agricole Futures, Inc. and Chief Financial Officer of Segespar Capital Markets, Inc. Mr Kloet served as a member of the Board of Directors and Executive Committee of the Chicago Mercantile Exchange from 1996 until he assumed his position at SGX. Mr Kloet graduated with a bachelor's degree in business administration from the University of Iowa in 1980. He is a certified public accountant and a member of the American Institute of Certified Public Accountants.



### **Richard Gnodde**

President and Managing Director  
Goldman Sachs (Asia) L.L.C.

Mr Gnodde has served as an independent director on the SGX Board since 18 November 1999. Mr Gnodde joined Goldman Sachs in London in 1987. He was appointed Managing Director of Goldman Sachs in 1996 and then President and Managing Director of Goldman Sachs (Asia) L.L.C. in the fall of 1999. Immediately prior to his current responsibilities, Mr Gnodde served as President of Goldman Sachs (Singapore) Pte Ltd. Mr Gnodde holds a Bachelor of Commerce degree from the University of Cape Town and a Master of Arts degree in Law from the University of Cambridge.



### **Goh Yew Lin**

Executive Director  
G. K. Goh Holdings Ltd

Mr Goh has served as an independent director on the SGX Board since 20 July 2000. Mr Goh has worked at G. K. Goh, a regional securities group, since 1984. Since 1990, he has been an Executive Director of SGX-listed G. K. Goh Holdings Ltd. Mr Goh is also an independent director in Boyer Allan Investment Management Ltd. He also serves on the boards of the National Arts Council, the Singapore Symphonia Company Ltd and the Singapore Conservatory of Music. Mr Goh graduated from the Wharton School, University of Pennsylvania, with a Bachelor of Science degree in Economics.



### **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 International Pte Ltd. He is also a member of the SAVER-Premium Board of Trustees. Mr Ho is a graduate of Bachelor of Economics (Honours) from Portsmouth University in the United Kingdom.



### **Victor Liew Cheng San**

Corporate Advisor  
Singapore Technologies Pte. Ltd

Mr Liew has served as an independent director on the SGX Board since 15 November 1999. Mr Liew is currently Corporate Advisor at Singapore Technologies Pte. Ltd. He is also the Chairman of the Singapore Commodity Exchange Ltd. Previously Mr Liew was the Chairman of OUB Bullion and Futures Ltd. and Head of Treasury and Markets at OUB Ltd. Mr Liew has been actively involved in the development of Singapore International Monetary Exchange Ltd (SIMEX) since its inception in 1984. He has been a director of SIMEX since 1991 and Chairman from 1996 to 1999. He also served as a member of the Pro-Tem Committee overseeing the merger of SES and SIMEX. In addition Mr Liew has been an active member of the Singapore Foreign Exchange Market Committee (SFEMC) representing Treasury markets since its inception in 1986. He was Chairman of SFEMC from 1996 to 1999 and alternate Chairman from 2000 to 2001. He graduated from the University of Singapore in 1973 with a degree of Bachelor of Social Sciences with Honours.



### **Low Check Kian**

Chairman  
Merrill Lynch Asia Pacific

Mr Low has served as an independent director on the SGX Board since 20 July 2000. Mr Low is currently the Chairman, 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 Art Museum and the Infocomm Development Authority of Singapore and is serving as the Chairman of its investment arm, Infocomm Investments Pte Ltd. He had also held several advisory roles on various Singapore Government Committees including the Financial Centre Advisory Group. He 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 stay at the LSE, he was awarded the Allan Young Prize, the Baxter-Edey Award and the Henry Luce Foundation Award.



### **Hidetoshi Mine**

Managing Director  
Principal Investment  
Investment Banking Headquarters, Orix Corporation (Tokyo, Japan)

Mr Mine has served as an independent director on the SGX Board since 15 November 1999. Mr Mine is presently based at the Investment Banking Headquarters of Orix Corporation in Japan. He has served as Managing Director overseeing the company's Private Equity business since January 2001. Prior to that, Mr Mine was Managing Director of Tokyo-Mitsubishi International (Singapore) Ltd – an investment banking subsidiary of Bank of Tokyo-Mitsubishi – since April 1996. Mr Mine began his banking career with the Bank of Tokyo right after his graduation from the Hitotsubashi University, Tokyo in 1973. He moved to the investment banking business after spending several years in foreign exchange and commercial banking. Over the last 20 years, he has held several management positions at Headquarters, London, Hong Kong and Singapore respectively.





### **Robert Stein**

Chief Executive Officer  
Adelphi Capital Partners Pte Ltd

Mr Stein has served as an independent director on the SGX Board since 20 July 2000. Mr Stein is the CEO, Adelphi Capital Partners Pte Ltd. Prior to this, Mr Stein was the CEO, Asia Pacific, Deutsche Bank Group. Before joining Deutsche Bank, he was Head of Debt and Equity Markets, Asia Pacific at Merrill Lynch. He is also a non-executive director or advisor for several technology companies and funds, such as Frontline Technologies Corporation Ltd, I-Options USA, ComMira USA, Focus Ventures II USA Fund. Mr Stein holds a Bachelor of Arts degree in Philosophy and Biochemistry (Honours) from Dartmouth College and a Master of Science degree in International and Development Economics from University College, Oxford University.



### **George Teo Eng Kim**

Chairman  
J.M. Sassoon & Co. (Pte) Ltd & Sassoon Financial Futures Pte Ltd  
(Sassoon Group)

Mr Teo has served as an independent director on the SGX Board since 15 November 1999. He was elected Committee Member of the Stock Exchange of Singapore Ltd (SES) in October 1984 and since 1986, has served as Deputy Chairman of SES until 1999. He has also served as a member of the Pro-Tem Committee overseeing the merger of SES and SIMEX. Mr Teo has served as a Managing Director of the Sassoon Group, a regional securities group, since 1975. Mr Teo is a member of the Institute of Certified Public Accountants of Singapore (ICPAS) and a Fellow of the Institute of the Chartered Accountants in England & Wales (F.C.A.).



### **Wong Ngit Liong**

Managing Director  
Venture Corporation Limited

Mr Wong has served as an independent director on the SGX Board since 15 November 1999. Mr Wong was instrumental in developing the business of Venture Corporation Limited from the start-up phase. Prior to Venture, Mr Wong spent more than 12 years with Hewlett-Packard Company in various management positions at headquarters Palo Alto, Santa Clara and Cupertino Divisions, HP Singapore and HP Malaysia. Mr Wong is also an independent director on the boards of SIA Engineering Company Ltd and Economic Development Board (Singapore). Mr Wong holds a first-class (Honors) degree in Electrical Engineering, and a Master of Science (Electrical Engineering) degree from the University of California at Berkeley where he was a Fulbright Scholar. He also holds a Master of Business Administration degree (with distinction) from McGill University under the Canadian Commonwealth Fellowship.

# Management Team



**Thomas A. Kloet**  
CEO



**Ang Swee Tian**  
President



**Jimmy Ang Kong Heng**  
Executive Vice President  
and Division Head  
Derivatives Trading



**Peter Chia Chon Hian**  
Executive Vice President  
and Division Head, Securities  
Clearing and Depository



**John Duggan**  
Senior Vice President  
and Division Head  
Derivatives Clearing



**Gan Seow Ann**  
Executive Vice President  
and Division Head  
Securities Trading



**John Gollifer**  
Senior Vice President  
and Division Head  
Corporate Strategy and  
Marketing



**Lew Seng Huat**  
Senior Vice President  
and Division Head  
Human Resources



**Alan Shaw**  
Executive Vice President  
and Division Head, Risk  
Management and  
Regulation



**Daniel Tan Bak Hiang**  
Executive Vice President  
and Division Head  
Information Technology



**Anderson Tang Siu Ki**  
Senior Vice President  
CFO and Division Head  
Finance and Administration

# Our Human Capital

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At SGX, we believe that our people provide us with our competitive edge.

## Attracting, Retaining and Developing Talent

Our structured recruitment process ensures that we attract and recruit the right people for our business. This aim is supported by a competitive total compensation package comprising a base salary, a short-term incentive in the form of a variable bonus linked to organisational and individual performance, and a comprehensive benefits programme. In addition, there is a long-term incentive in the form of share options to align the interest of our team with that of our shareholders.

We introduced a competency-based appraisal process that assesses individual performance against agreed targets and identifies potential based on core competencies that are needed for SGX's success. This forms the basis of our performance-management system that facilitates staff supervision, motivation and rewards, and sets the framework for career development of identified staff for leadership positions.

We have implemented a training framework for training-needs analysis, implementation and evaluation. The knowledge and skill gaps of our people are identified based on the exchange's business needs, and addressed through a comprehensive training curriculum. We also strive to inculcate the spirit of continuous learning among our staff, through a sponsorship programme for further education and a newsletter devoted to the subject of learning.

## Encouraging Interaction and Fostering Cohesion

To create a cohesive and integrated workforce with a set of common goals, we encourage interaction, teamwork and open channels of communication across the organisation.

To foster a culture of information exchange within the workplace, inter-division task forces and project teams are formed to work on our initiatives. We also hold regular staff dialogues and publish a quarterly in-house newsletter. Besides allowing the entire organisation to share information on our developments, these platforms also act as forums for staff to exchange ideas and provide feedback.

Outside the workplace, social and recreational programmes are organised regularly for our team and their families. Such activities include the annual dinner and dance, a cross-country run and community work, and are spearheaded by a committee comprising representatives from different divisions. Off-site retreats and non-work related recreational activities are also held at division and department levels.



## SGX and the Community

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SGX is developing its own unique culture and spirit. This is evident not just in the work we do but also the sense of community we are building. We are committed to promoting responsible corporate citizenship within SGX through staff involvement in community-focused activities.

A highlight of the year was when SGX co-sponsored a charity movie premiere in May 2002. Through direct cash contributions and the sale of tickets to staff, we raised more than S\$30,000 for the Movement for the Intellectually Disabled of Singapore (MINDS) special schools.

Our staff participated actively in the SGX Corporate Volunteering Programme, spending time with children from the MINDS Guillemard Gardens School and the Singapore Children's Society's Henderson Student Care Centre.

Over the course of the year, we also contributed S\$55,000 in cash to other charitable causes and community projects.



# Building Investor Relations

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## Our Philosophy

SGX's investor relations (IR) strategy is simple – to engage existing and potential investors, analysts and the media in regular dialogue, to provide frequent and timely news flow and create ease of access to information.

## Reaching Out: Proactive Management of Key Relationships

We initiate and participate in several activities to build relationships with existing and potential investors, analysts and the media. These include:

- Roadshows in key financial centres
- Investor conferences and seminars
- Ongoing meetings with investors, analysts and media

## Providing Frequent News Flow while Ensuring Depth and Consistency of Information

Since our listing, SGX has adopted quarterly reporting. The financial statements reported include full disclosure of our cashflow position, segment information and results for both the Group and the Company.

Analyst and media briefings are held for the interim and full-year results. During these briefings, SGX's management team is present to provide an in-depth look at the year's performance, and to respond to queries by analysts and the media.

## Achieving Effective and Efficient Communication by Harnessing Technology

All our results briefings are webcast live. The webcast is subsequently archived on the exchange's website for shareholders, investors, analysts and the media to view at their convenience.

A dedicated IR webpage on SGX's website provides a convenient access point for shareholders, investors, analysts and media seeking specific information on the Company's performance, including share price movements, results announcements, financial statements, webcasts, presentation slides and annual reports.

In October 2001, SGX topped The Business Times Corporate Transparency Index (CTI)\*, scoring 86 points out of a possible total of 100, including full marks for our results briefing. The CTI score takes into consideration the content of the financial statements, as well as the context in which the content is conveyed to the market.

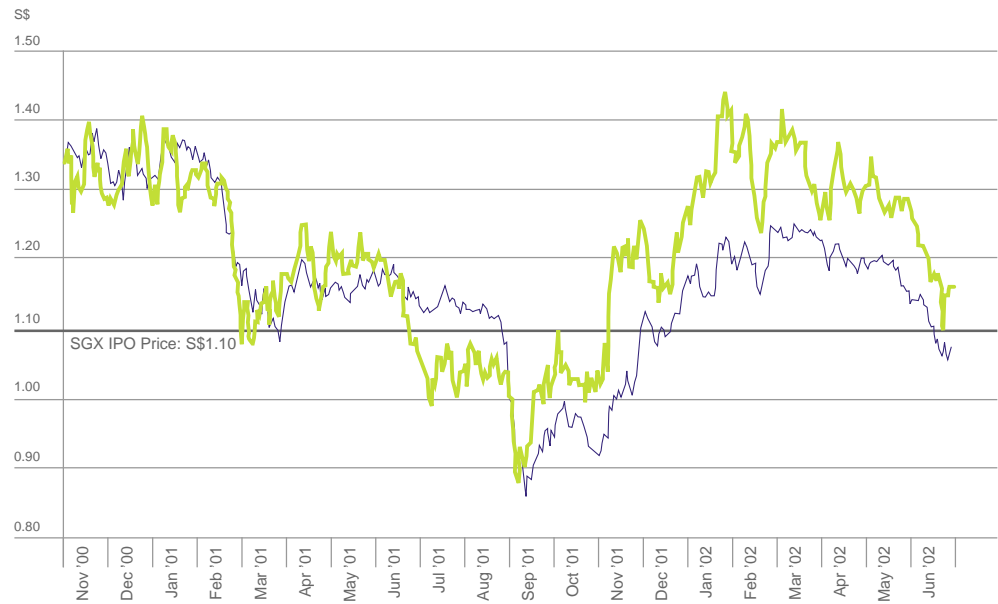
\*for companies whose financial year ended 30 June 2001

E-mails are sent on a regular basis to keep shareholders, investors and analysts updated on our latest developments and initiatives.

### Our Commitment

We remain committed to upholding high standards of corporate governance. We will continue to maintain these multiple channels of information dissemination, high standards of transparency and timely disclosure, easy access to management and most important, a proactive approach to managing investor relationships. These, we believe, are critical to our long-term growth and to enhancing shareholder value.

### SGX's Share Price Performance Against the Straits Times Index (STI)



**SGX**

Last done price on  
28 June 2002: S\$1.16

**STI**

Last done on  
28 June 2002: 1552.98



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## SGX Investor Relations Calendar

20-22 May 2002	CLSA 9th Annual Investors' Forum, Hong Kong
10 May 2002	SGX Announces Financial Year 2002 3rd Quarter Results
6-11 March 2002	US Roadshow
28 February 2002	SGX Announces Financial Year 2002 Interim Results Results Briefing for Analysts and Media
9 November 2001	SGX Announces Financial Year 2002 1st Quarter Results
7 November 2001	Merrill Lynch 4th Asian Financial Services Conference, Singapore
29-30 October 2001	Hong Kong Roadshow
11-12 October 2001	London Roadshow
10-12 September 2001	CSFB Asian Financial Services Technology Conference, Hong Kong
16 August 2001	SGX Announces Financial Year 2001 Annual Results Results Briefing for Analysts and Media
6 July 2001	Salomon Smith Barney Singapore Corporate Day, Hong Kong

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### Investor Relations Team:

#### **Maureen Goh**

E-mail: [maureen\\_goh@sgx.com](mailto:maureen_goh@sgx.com)

#### **Tiffany Ho**

E-mail: [tiffany@sgx.com](mailto:tiffany@sgx.com)

Website: <http://www.sgx.com/ir/index.shtml>



# Statistics of Shareholdings

As at 19 August 2002

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

## Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	38	0.32	14,077	0.00
1,000 - 10,000	10,131	85.29	32,946,800	3.30
10,001 - 1,000,000	1,676	14.11	125,721,593	12.57
1,000,001 and above	33	0.28	841,317,530	84.13
Total	<u>11,878</u>	<u>100.00</u>	<u>1,000,000,000</u>	<u>100.00</u>

## Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	SEL Holdings Pte Ltd <sup>1</sup>	249,991,184	25.00
2	Raffles Nominees Pte Ltd	205,588,317	20.56
3	DBS Nominees Pte Ltd	103,277,705	10.33
4	Citibank Nominees Singapore Pte Ltd	65,401,145	6.54
5	HSBC (Singapore) Nominees Pte Ltd	41,241,563	4.12
6	United Overseas Bank Nominees Pte Ltd	38,840,076	3.88
7	Kim Eng Ong Asia Securities Pte Ltd	15,917,314	1.59
8	UOB Kay Hian Pte Ltd	15,887,452	1.59
9	Phillip Securities Pte Ltd	12,364,348	1.24
10	J.M. Sassoon & Co. (Pte) Ltd	12,061,000	1.21
11	DB Nominees (Singapore) Pte Ltd	9,652,282	0.97
12	Morgan Stanley Asia (Singapore) Securities Pte Ltd	8,447,000	0.84
13	Oversea-Chinese Bank Nominees Pte Ltd	6,292,840	0.63
14	Citicorp Investment Bank (Singapore) Limited	6,000,000	0.60
15	SSB Singapore Securities Pte Ltd	5,927,272	0.59
16	Millennium Securities Pte Ltd	5,454,545	0.55
17	G. K. Goh Stockbrokers Pte Ltd	4,612,026	0.46
18	Nomura Securities Singapore Pte Ltd	3,718,000	0.37
19	Meadowspring Pte Ltd	3,500,000	0.35
20	Lim & Tan Securities Pte Ltd	3,414,786	0.34
	Total	<u>817,588,855</u>	<u>81.76</u>

<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, inter alia, warehouse the SGX shares, 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.

# Corporate Information

## Board of Directors

J Y Pillay (Chairman)  
Thomas A. Kloet (Chief Executive Officer)  
Richard Gnodde (Non-Executive Director)  
Goh Yew Lin (Non-Executive Director)  
Ho Tian Yee (Non-Executive Director)  
Victor Liew Cheng San (Non-Executive Director)  
Low Check Kian (Non-Executive Director)  
Hidetoshi Mine (Non-Executive Director)  
Robert Stein (Non-Executive Director)  
George Teo Eng Kim (Non-Executive Director)  
Wong Ngit Liong (Non-Executive Director)

## Company Secretary

Joyce Fong Foong Chao

## Audit Committee

Ho Tian Yee (Chairman)  
Victor Liew Cheng San  
Hidetoshi Mine  
Robert Stein  
Wong Ngit Liong

Secretary: Siow Chee Keong

## Nominating Committee

George Teo Eng Kim (Chairman)  
J Y Pillay  
Goh Yew Lin  
Ho Tian Yee  
Victor Liew Cheng San  
Low Check Kian

Secretary: Joyce Fong Foong Chao

## Appeals Committee

J Y Pillay (Chairman)  
Victor Liew Cheng San  
Low Check Kian  
George Teo Eng Kim  
Colin Ng (Non Director)  
Lucien Wong (Non Director)

Secretary: Joyce Fong Foong Chao

## Compensation and Management Development Committee

Wong Ngit Liong (Chairman)  
J Y Pillay  
Thomas A. Kloet  
Richard Gnodde  
Low Check Kian  
Hidetoshi Mine  
Robert Stein

Secretary: Lew Seng Huat

## Strategy Committee

J Y Pillay (Chairman)  
Thomas A. Kloet  
Goh Yew Lin  
Ho Tian Yee  
Low Check Kian  
Robert Stein

Secretary: Joyce Fong Foong Chao

### Conflicts Committee

Thomas A. Kloet (Chairman)

Robert Stein

Wong Ngit Liong

Joyce Fong Foong Chao

Daniel Tan Bak Hiang

Secretary: Alan Shaw

### Management Committee

Thomas A. Kloet (Chairman)

Ang Swee Tian

Jimmy Ang Kong Heng

Peter Chia Chon Hian

John Duggan

Gan Seow Ann

John Gollifer

Lew Seng Huat

Alan Shaw

Daniel Tan Bak Hiang

Anderson Tang Siu Ki

Siow Chee Keong

### Investor Relations Team

Maureen Goh

E-mail: [maureen\\_goh@sgx.com](mailto:maureen_goh@sgx.com)

Tiffany Ho

E-mail: [tiffany@sgx.com](mailto:tiffany@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: <http://www.sgx.com>

### Share Registrar

Lim Associates (Pte) Ltd

10 Collyer Quay

#19-08 Ocean Building

Singapore 049315

Person-in-charge: Sebastian Tan

### Auditors

PricewaterhouseCoopers

8 Cross Street

#17-00 PWC Building

Singapore 048424

Partner-in-charge: Phillip Tan



SCREEN : 1      May 92 17:57:56 2002

Buy			Sell			OPEN		
+	Buy Vol		-	Sell Vol		+	Open	Last Price
0.00	217,000		0.005	75,000		0.00	0.00	0.00
0.00	503,000		0.005	279,000		0.00	0.00	0.00
0.145	100,000		0.155	45,000		0.00	0.00	0.00
0.03	400,000		0.04	48,000		0.00	0.00	0.00
0.225	110,000		0.23	30,000		0.00	0.00	0.00
0.41	30,000		0.42	132,000		0.00	0.00	0.00
0.06	100,000		0.09	3,000		0.00	0.00	0.00
0.445	1,427,000		0.45	711,000		0.00	0.00	0.00
1.04	50,000		2.29	5,000		0.00	0.00	0.00
			1.05	20,000		0.00	0.00	0.00
0.05	52,000		0.08	30,000		0.00	0.00	0.00
0.705	221,000		0.77	7,000		0.00	0.00	0.00
0.07	50,000		0.09	50,000		0.00	0.00	0.00
			0.005	200,000		0.00	0.00	0.00
0.25	821,000		0.255	194,000		0.00	0.00	0.00
0.18	6,000		0.185	157,000		0.00	0.00	0.00
1.30	6,000					0.00	0.00	0.00

# Corporate Governance Report

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SGX is committed to high standards of corporate governance. This Report describes SGX's corporate governance processes and activities. The SGX-ST's Listing Manual requirement (the "listing requirement"), introduced in April 2001, requires that an issuer which holds its Annual General Meeting ("AGM") on or after 1 January 2003 (the "effective date") should describe its corporate governance practices with specific reference to the Code of Corporate Governance ("Code") in its annual report.

This Report describes SGX's corporate governance processes with specific reference to the Code. For ease of reference, the relevant provision of the Code under discussion is identified in *italics*. However, other sections of this Report may also have an impact on the disclosures as this Report is meant to be read as a whole, instead of being compartmentalised under the different principles of the Code. SGX believes that it is in full compliance with the listing requirement in advance of its effective date.

## Board of Directors

### ***Principle 1 : Board's Conduct of its Affairs***

The principal functions of the Board are:

- 1) Approving the broad policies, strategies and financial objectives of the Company and monitoring the performance of management;
- 2) Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- 3) Approving the nominations of board directors and appointment of key personnel;
- 4) Approving annual budgets, major funding proposals, investment and divestment proposals; and
- 5) Assuming responsibility for corporate governance.

Matters which are specifically reserved to the full Board for decision are those involving a conflict of interest for a substantial shareholder or a director, material acquisitions and disposal of assets, corporate or financial restructuring and share issuances, dividends and other returns to shareholders and matters which require Board approval as specified under the Company's interested person transaction policy. Specific Board approval is required for any investments or expenditures exceeding S\$5 million in total.

The above information regarding the Board's functions and details of the respective Board committees' terms of reference are available on the SGX website, [www.sgx.com](http://www.sgx.com).

The Board conducts regular scheduled meetings on a bi-monthly basis. Ad-hoc meetings are convened when circumstances require. The Company's Articles of Association (the "Articles") allow a board meeting to be conducted by way of a tele-conference. The attendance of the directors at meetings of the Board and Board committees, as well as the frequency of such meetings, is disclosed in this Report.

The Company has initiated programmes for directors to meet their relevant training needs. An orientation programme will be organised for new directors to ensure that incoming directors are familiar with the Company's business and governance policies, disclosure of interests in securities, disclosure of any conflict of interest in a transaction involving the Company, prohibitions on dealing in the Company's securities and restrictions on disclosure of price-sensitive information. Each director is provided with a manual, which is updated yearly, containing all relevant board and company policies relating to the above matters.

The Company also has an on-going training budget for the existing directors to fund the directors' participation at industry conferences and seminars, and to fund directors' attendance at any course of instruction/training programme in connection with their duties as directors. This budget may be utilised by each director subject to approval by the Chairman. The Company has adopted a policy that directors are also welcome to request further explanations, briefings or informal discussions on any aspects of the Company's operations or business issues from the management. The Chairman or the CEO will make the necessary arrangements for the briefings, informal discussions or explanations required by the director.



### ***Principle 2 : Board Composition and Balance***

Presently, the Board comprises nine non-executive and independent directors, and two executive directors. The independence of each director is reviewed annually by the nominating committee (“NC”). The NC adopts the Code’s definition of what constitutes an independent director in its review. As a result of the NC’s review of the independence of each director for FY2002, the NC is of the view that the non-executive directors of SGX are independent directors, and further, that no individual or small group of individuals dominate the Board’s decision making process. Key information regarding the directors is given in the “Board of Directors” section of the annual report. The NC is of the view that the current Board comprise persons who as a group, provide core competencies necessary to meet the Company’s targets.

While the Company’s Articles allow for the appointment of a maximum of 13 directors, the NC is of the view that the current board size of 11 directors is appropriate, taking into account the nature and scope of the Company’s operations.

### ***Principle 3 : Role of Chairman and Chief Executive Officer***

The Company has a separate Chairman and CEO. Both are executive directors.

Notwithstanding that the Chairman was designated as an executive and non-independent director on 16 August 2001, the change in status does not affect the division of responsibilities between the Chairman and the CEO. The CEO is the most senior executive in the Company and bears executive responsibility for the Company’s business, while the Chairman bears responsibility for the workings of the Board. The Chairman and the CEO are not related.

The Chairman ensures that board meetings are held when necessary and sets the board meeting agenda in consultation with the CEO. The Chairman reviews most board papers before they are presented to the Board and ensures that board members are provided with complete, adequate and timely information. As a general rule, board papers are sent to directors at least five days in advance in order for directors to be adequately prepared for the meeting. Management staff who have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the paper or attend at the relevant time during the board meeting. The Chairman assists to ensure that procedures are introduced to comply with the Code.

Both the Chairman's and CEO's appointments require the prior approval of the Monetary Authority of Singapore ("MAS") by law.

***Principle 6 : Access to Information***

In order to ensure that the Board is able to fulfill its responsibilities, management provides the board members with the monthly management accounts and other financial statements within 20 days after the month-end. A quarterly report of the Company's activities is also provided to the Board. All analysts' reports on the Company are forwarded to the directors on an on-going basis as and when received. The directors have also been provided with the phone numbers and e-mail particulars of the Company's senior management and company secretary to facilitate access.

Should directors, whether as a group or individually, need independent professional advice, the company secretary will, upon direction by the Board, appoint a professional advisor selected by the group or the individual, and approved by either the Chairman or the CEO, to render the advice. The cost of such professional advice will be borne by the Company.

The company secretary attends all board meetings and is responsible to ensure that board procedures are followed. It is the company secretary's responsibility to ensure that the Company complies with the requirements of the Companies Act. Together with the other management staff of SGX, the company secretary is responsible for compliance with all other rules and regulations which are applicable to the Company.

Please refer to the "Corporate Information" section of the annual report for the composition of the Company's Board of Directors, Board committees and the management committee.

## **Board Committees**

### **Nominating Committee (NC)**

***Principle 4 : Board Membership***

The NC's establishment is mandated by Article 84 of the Articles. All appointments to

the NC are subject to the prior approval of MAS. The chairman of the NC, Mr George Teo, is an independent director.

The NC's principal functions are:

- 1) to identify candidates and review all nominations for the appointment or re-appointment of members of the Board of Directors; the Chief Executive Officer of the Company and the wholly-owned subsidiary of the Company; the senior executive staff; and the members of the various Board committees, for the purpose of proposing such nominations to the Board for its approval;
- 2) to determine the criteria for identifying candidates and reviewing nominations for the appointments referred to in paragraph 1. One of the criteria for the appointment of a director is the independence status of the candidate;
- 3) to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and
- 4) to assess the effectiveness of the Board as a whole, and the contribution by each individual director to the effectiveness of the Board.

New directors are at present appointed by way of a board resolution, after the NC approves their appointment. Such new directors must submit themselves for re-election at the next AGM of the Company. Article 99 of the Articles requires one third of the Board to retire by rotation at every AGM.

#### ***Principle 5 : Board Performance***

The NC, in considering the re-appointment of any director, evaluates the performance of the director. On an annual basis, the Chairman will assess each director's contribution to the Board, and discuss the results with the chairman of the NC. An assessment on each director's performance was duly carried out this year. The assessment parameters includes attendance record at meetings of the Board and Board committees, intensity of participation at meetings, the quality of interventions and special contributions.

The NC evaluated the Board's performance as a whole. The assessment process adopted both quantitative and qualitative criteria, such as return on equity, the success

of the strategic and long-term objectives set by the Board, and the effectiveness of the Board in monitoring management's performance against the goals that have been set by the Board. The Company's share price performance over a period of five years, adjusted for returns, against the benchmark index of the All-Sing Equities Index, is considered to be a relevant criterion for assessment. However, this criterion will be applied when SGX has passed five years as a listed company.

### **Audit Committee (AC)**

#### ***Principle 11 : Audit Committee***

#### ***Principle 12 : Internal Controls***

The AC comprises five members, all of whom are independent non-executive directors. The chairman of the AC, Mr Ho Tian Yee, is by profession an investment fund manager. The other members of the AC have many years of experience in managerial positions in the banking and finance industry. The NC is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions.

The AC performs the following main functions:

- 1) recommends to the Board of Directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews, the scope and results of the audit, and its cost-effectiveness;
- 2) reviews (with the other committees, management, the Chief Internal Auditor and the external auditors) significant risks or exposures that exist and assesses the steps management has taken to minimise such risk to the Company;
- 3) reviews with the Chief Financial Officer and external auditors at the completion of the quarterly reviews and annual examination:
  - the Company's quarterly and audited annual financial statements and related footnotes, and the integrity of financial reporting of the Company including accounting principles for recommendation to the Board for approval;
  - the external auditor's audit of the annual financial statements and reports thereon;
  - the adequacy of the Company's system of accounting controls;

- the assistance given by management to external auditors;
  - any related significant findings and recommendations of the external auditors and internal auditors together with management's responses thereto; and
  - any significant changes required in the external auditors' audit plan, any serious difficulties or disputes with management encountered during the course of the audit and their resolution, and other matters related to the conduct of the audit;
- 4) considers and reviews with management and the Chief Internal Auditor annually the following major items:
- significant internal audit observations during the year and management's responses thereto;
  - the effectiveness of the Company's internal controls over management, business and technology systems and practices; and
  - any changes required in the planned scope of the Chief Internal Auditor's audit plan and any difficulties encountered in the course of their audits, including any restrictions on the scope of internal audit's work or access to required information;
- 5) reviews legal and regulatory matters that may have a material impact on the financial statements, related exchange compliance policies, and programmes and reports received from regulators;
- 6) meets with the Chief Internal Auditor, the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC; and
- 7) reports actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate.

The AC has the express power to conduct or authorise investigations into any matters within its terms of reference. Minutes of the AC meetings are regularly submitted to the Board for its information and review.

The AC has conducted an annual review of the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before confirming their re-nomination. The AC also conducts a review of interested person transactions. The AC also conducts a review to ensure that there are no improper activities of the Company (if any).

The AC meets with the external and internal auditors, without the presence of management, at least once a year.

The Company's external auditors, PriceWaterhouseCoopers ("PwC"), carry out, in the course of their statutory audit, a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management annually to the extent of their scope as laid out in their audit plan. Material non-compliance and internal control weaknesses noted during their audit, and the auditors' recommendations, are reported to the AC. The Internal Audit department ("IA") follows up on PwC's recommendations as part of its role in the review of the Company's internal control systems.

The AC has reviewed the Company's risk assessment, and based on the IA audit reports and management controls in place, it is satisfied that there are adequate internal controls in the Company. The AC expects the risk assessment process to be a continuing process.

### ***Principle 13 : Internal Audits***

IA is staffed by nine persons, including the Chief Internal Auditor. IA reports directly to the chairman of the AC on audit matters, and to the CEO on administrative matters. The AC reviews IA's reports on a quarterly basis. The AC also reviews and approves the annual IA plans and resources to ensure that the IA has the necessary resources to adequately perform its functions. The Chief Internal Auditor has adopted the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

To ensure the adequacy of the internal audit function, the AC reviews the IA's activities on a quarterly basis.

This year, the IA, with the oversight of the AC, has facilitated the development of the business continuity plan in order to ensure the Company's recovery strategies for the Company's critical business functions are in place in the event of a disaster.

## Compensation and Management Development Committee (CMDC)

### ***Principle 7 : Procedures for Developing Remuneration Policies***

### ***Principle 8 : Level and Mix of Remuneration***

### ***Principle 9 : Disclosure on Remuneration***

The CMDC comprises seven directors, of whom a majority are non-executive and independent directors.

The CMDC is chaired by an independent and non-executive director. The head of the Human Resources Division is secretary to the CMDC.

CMDC's principal responsibilities are to:

- 1) recommend to the Board base pay levels, benefits and incentive opportunities, and identify components of pay which can best be used to focus management staff on achieving corporate objectives, including identifying equity-based incentives such as stock options;
- 2) approve the structure of the compensation programme for directors and senior management to ensure that the programme is competitive and sufficient to attract, retain and motivate senior management of the required quality to run the Company successfully;
- 3) review directors' and senior management's compensation annually and determine appropriate adjustments; and review and recommend the CEO's pay adjustments; and
- 4) administer the SGX Share Option Plan (the "Plan"). Any matter pertaining or pursuant to the Plan and any dispute and uncertainty as to the interpretation of the Plan, any rule, regulation or procedure thereunder or any rights under the Plan shall be determined by the CMDC.

The NC, together with the chairman of the CMDC, decides on the specific remuneration packages for an executive director or senior management staff upon recruitment. Thereafter, the CMDC reviews subsequent increments, award of share options under the Plan and variable bonuses where these payments are discretionary.

The CEO's remuneration package includes a variable bonus element which is performance-related, and also stock options which have been designed to align his interests with those of the shareholders. Under the terms of his agreement, the Chairman's remuneration is paid as a flat fee and there is no performance-related element. The CMDC will be reviewing this for the next financial year.

Directors' fees are set in accordance with a remuneration framework comprising basic fees and attendance fees. Executive directors do not receive directors' fees. Non-executive directors are paid directors' fees, subject to approval at the AGM. A breakdown, showing the level and mix of each individual director's remuneration payable for FY2002 is as follows:

#### Directors' Remuneration

Name	Fees** (S\$)	Salary (S\$)	Bonus (S\$)	Other Benefits* (S\$)
J Y Pillay	-	602,640	-	96,152
Thomas A. Kloet	-	1,357,125	1,069,725	406,592
George Teo Eng Kim	28,800	-	-	-
Wong Ngit Liong	32,300	-	-	-
Victor Liew Cheng San	35,500	-	-	-
Ho Tian Yee	42,200	-	-	-
Hidetoshi Mine	32,300	-	-	-
Richard Gnodde	24,800	-	-	-
Goh Yew Lin	28,000	-	-	-
Low Check Kian	29,600	-	-	-
Robert Stein	32,300	-	-	-

\* excluding share options which are disclosed in the Directors' Report.

\*\* these fees are subject to approval by shareholders as a lump sum at the AGM for FY2002.



The chairman of the AC and members of the AC receive additional fees to take into account the nature of their responsibilities and the greater frequency of meetings in the light of the Company's quarterly reporting practice.

Non-executive directors have no service contracts and their terms are specified in the Articles. The CEO has a three-year service contract which expires on 23 April 2003. The Chairman has a service contract, the duration of which is dependent on his continued appointment as director under the Articles. There are no compensation provisions for his termination.

The CMDC administers the Plan established on 1 November 2000, in accordance with the rules as approved by shareholders. No director, whether executive or non-executive, has been granted share options under the Plan although the rules of the Plan allow such grants. The Company holds the view that, at this point in its development, the interests of maintaining the objectivity and independence of the non-executive directors is best served by a cash-based remuneration package. The CMDC will regularly examine this view while monitoring the Company's development and local market practices. Details of the share options granted pursuant to the Plan and CEO's share options are in the Directors' Report. The share options will be valued with reference to their market value if exercised on 30 June 2002, and in accordance with the Black-Scholes model. The CEO has been granted options under his employment contract and not under the Plan.

Disclosure of the top five executives' remuneration (executives who are not directors) in bands of S\$150,000 is also disclosed at page 92. The Company has decided against the inclusion of an annual remuneration report in this Report as the matters required to be disclosed therein have been disclosed in the Directors' Report and the notes to the financial statements.

The Company adopts a remuneration policy for staff comprising a fixed component and a variable component. The fixed component is in form of a base salary. The variable component is in the form of a variable bonus that is linked to the Company and individual performance. The bonus pool is determined by the achievement of corporate key performance indicators ("KPIs") that have been approved by CMDC at the beginning of each financial year. The CMDC will evaluate the extent to which the KPIs have been achieved based on the Company's performance, and approve the bonus pool for distribution to staff based on individual performance. Another element of the variable

component is the grant of share options to staff under the Plan. This seeks to align the interests of staff with that of the shareholders.

### **Appeals Committee**

The Appeals Committee conducts hearings on appeals against the decisions of the Singapore Exchange Securities Trading Limited ("SGX-ST") with regard to the cancellation of contracts transacted on the securities market, disciplinary actions taken against members of the securities and derivatives market for breaches of SGX-ST's rules, and matters relating to admission or rejection of applications for membership.

The Appeals Committee also conducts hearings on appeals against the decisions of the Business Conduct Committee, the Clearing House Committee and the Disciplinary Committees of the Company's securities and derivatives trading markets.

Minutes of the Appeals Committee's meetings are kept and are to be produced to MAS upon request.

The Appeals Committee heard a total of four appeals for the year. The Appeals Committee has also met to approve certain changes to the disciplinary and appeals procedures to be introduced.

### **Strategy Committee (SC)**

The SC serves as an advisory committee, making recommendations to the Board on corporate policies and strategies pertaining to any area of the Company's activities.

Its principal responsibilities are to periodically review the overall strategic direction of the Company, to review and consider material new strategic developments of the Company, and to review and consider material new businesses for the Company. The SC will consider ideas generated by the Board, or management.

### **Conflicts Committee**

The Conflicts Committee was constituted as a consequence of the Company's listing in November 2000 and the appointment of members of the Conflicts Committee is subject to the prior approval of MAS.

The Conflicts Committee's principal responsibility is 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.

Where it determines that a conflict of interest or possible conflict of interest does or may arise, the Conflicts Committee:

- 1) shall notify MAS of all relevant facts including any proposals for resolving the matter in a manner which assures the proper performance of any relevant regulatory functions; and
- 2) shall provide any further particulars that may be reasonably required by MAS for the purpose of determining whether the regulatory function can be discharged without MAS's intervention.

The Conflicts Committee has met and concluded that there are no conflicts that have been identified to date.

## Communication with Shareholders

### ***Principle 10 : Accountability and Audit***

### ***Principle 14 : Communication with Shareholders***

### ***Principle 15 : Greater Shareholder Participation***

The Company has adopted quarterly results reporting ever since its listing. The Company holds a media and analysts briefing of its half-year and full-year results. This briefing is simultaneously webcast to the public and all shareholders via the Company's website. Quarterly results are published through the MASNET, news releases and the Company's website. All information on the Company's new initiatives are first disseminated via MASNET followed by a news release, which is also available on the website.

The Company does not practise selective disclosure. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Results and annual reports are announced or issued within the mandatory period and are available on the Company's website.

The Company has an investor relations team which communicates with its investors on a regular basis and attends to their queries. All shareholders of the Company receive the summary annual report and notice of AGM. The notice is also advertised in newspapers and made available on the website. At AGMs, shareholders are given the opportunity to air their views and ask directors or management questions regarding the Company.

The Articles allow a member of the Company to appoint one or two proxies to attend and vote instead of the member.

### Dealings in Securities

The Company has adopted internal codes pursuant to the SGX-ST Best Practices Guide applicable to all its officers in relation to dealings in the Company's securities. Its officers are not allowed to deal in the Company's shares during the period commencing one month before the announcement of the Company's quarterly results and ending on the date of the announcement of the results.

### Directors' Attendance at Board and Board Committee Meetings

	SGX Board		Audit Committee		Nominating Committee		
Name	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	
J Y Pillay	7	7			2	2	
Thomas A. Kloet	7	7					
Richard Gnodde	7	6					
Goh Yew Lin	7	7			2	2	
Ho Tian Yee	7	7	5	4	2	1	
Victor Liew Cheng San	7	6	5	5	2	2	
Low Check Kian	7	5			2	2	
Hidetoshi Mine	7	6	5	2			
Robert Stein	7	5	5	2			
George Teo Eng Kim	7	7			2	2	
Wong Ngit Liong	7	4	5	3			

## Interested Person Transactions Policy

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval of the Company's interested person transactions. For FY2002, there were no interested person transactions.

## Best Practices Guide

The Company has complied with the Best Practices Guide issued by SGX-ST.

Joyce Fong Foong Chao (Ms)

Company Secretary

	Appeals Committee		Compensation & Management Development Committee		Strategy Committee		Conflicts Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
	2	2	2	2	1	1		
			2	2	1	1	1	1
			2	0				
					1	1		
					1	1		
	2	2						
	2	2	2	2	1	1		
			2	0				
			2	0	1	0	1	1
	2	2						
			2	2			1	0



# Directors' Report

For the financial year ended 30 June 2002

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 2002.

## Directors

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

J Y Pillay (Chairman)  
Thomas A. Kloet (Chief Executive Officer)  
Richard Gnodde  
Goh Yew Lin  
Ho Tian Yee  
Victor Liew Cheng San  
Low Check Kian  
Hidetoshi Mine  
Robert Stein  
George Teo Eng Kim  
Wong Ngit Liong

## Principal Activities

The principal activities of the Company are those of investment holding, treasury management and the provision of management and administrative services to related corporations. The principal activities of 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.

## Results for the Financial Year

	<u>The Group</u> \$'000	<u>The Company</u> \$'000
Profit after tax attributable to the shareholders of Singapore Exchange Limited	<u>60,906</u>	<u>6,552</u>

## Material Movements in Reserves and Provisions

Material movements in reserves and provisions are set out in the financial statements.

## Acquisition and Disposal of Subsidiaries

On 26 July 2001, SGXLink Pte Ltd ("SGXLink") was incorporated as a wholly-owned subsidiary of the Company with an authorised share capital of \$100,000 comprising 100,000 ordinary shares of \$1 each and an initial issued and paid-up capital of \$2 comprising 2 ordinary shares of \$1 each at par.

There were no other acquisitions or disposals of interests in subsidiaries during the financial year.

## Issue of Shares and Debentures

- (a) During the financial year, the following subsidiaries of the Company issued ordinary shares:

### SGXLink Pte Ltd

On 26 July 2001, SGXLink Pte Ltd ("SGXLink") was incorporated as a wholly-owned subsidiary of the Company with an authorised share capital of \$100,000 comprising 100,000 ordinary shares of \$1 each and initial issued and paid-up capital of \$2 comprising 2 ordinary shares of \$1 each at par. Subsequently on 6 November 2001, the authorised share capital of SGXLink was increased to \$1,000,000 comprising 1,000,000 ordinary shares of \$1 each by the creation of 900,000 ordinary shares of \$1 each. On 8 November 2001, the issued and paid-up share capital of SGXLink was increased to \$500,000 by the issue of 499,998 ordinary shares of \$1 each at par for cash to the Company. On 6 March 2002, the issued and paid-up share capital of SGXLink was again increased to \$1,000,000 by a further issue of 500,000 ordinary shares of \$1 each at par for cash to the Company. The proceeds were used as working capital.

### Asia Converge Pte Ltd (formerly known as "Megatrex Trading Pte Ltd")

On 30 August 2001, Asia Converge Pte Ltd ("Asia Converge") increased its authorised share capital from \$100,000 to \$10,000,000 comprising 10,000,000 ordinary shares of \$1 each by the creation of 9,900,000 ordinary shares of \$1 each. On 21 September 2001, the issued and paid-up share capital of Asia Converge was increased to \$4,000,000 by a further issue of 3,999,998 ordinary shares of \$1 each at a premium of \$1 per share for cash to provide for working capital.

- (b) There were no other issues of shares or debentures by any corporation in the Group during the financial year.

## Arrangements to Enable Directors to Acquire Shares and Debentures

The Company was not, at any time during the financial year, 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.





## Bad and Doubtful Debts

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain the action taken in relation to the writing off of bad debts and providing for doubtful debts of the Company. The directors have satisfied themselves that all known bad debts of the Company have been written off and that adequate provision has been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render any amounts written off for bad debts or provided for doubtful debts in the consolidated financial statements of the Group inadequate to any substantial extent.

## Current Assets

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that current assets of the Company which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or that adequate provision has been made for the diminution in value of such current assets.

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report, which would render the values attributed to current assets in the consolidated financial statements misleading.

## Charges on Assets and Contingent Liabilities

At the date of this report, no charges have arisen since the end of the financial year on the assets of the Company or any corporation in the Group which secure the liability of any other person, nor has any contingent liability arisen since the end of the financial year in the Company or any other corporation in the Group.

## Ability to Meet Obligations

No contingent or other liability of the Company or any other corporation in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company and the Group to meet their obligations as and when they fall due.

## Other Circumstances Affecting the Financial Statements

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the consolidated financial statements which would render any amount stated in the financial statements of the Company and the consolidated financial statements misleading.

## Unusual Items

In the opinion of the directors, the results of the operations of the Company and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature, except for the exceptional charge arising from the provision for surplus leased premises as a result of the relocation of most of the Group's operations to SGX Centre as disclosed in Note 13 to the financial statements.

## Unusual Items After the Financial Year

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made.

## 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 Compensation and Management Development Committee which comprises the following SGX directors:

Wong Ngit Liong (Chairman)  
J Y Pillay  
Thomas A. Kloet  
Richard Gnodde  
Low Check Kian  
Hidetoshi Mine  
Robert Stein

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 ("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.

#### 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; while options with subscription prices at a discount to the Market Price may be exercised two years after the date of the grant. Options granted will have a term no longer than five 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. The subscription price of an option will be equal to the Market Price or such higher price or a price which is set at a discount to the Market Price, subject to a maximum discount of 20% from the Market Price. Market Price is the average of the closing prices of SGX's ordinary shares on SGX-ST over five consecutive market days immediately preceding the date of grant of that option.

## Share Options (continued)

### Options Granted Under the Scheme

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

<u>Date of grant</u>	<u>Exercise period</u>	<u>Number of ordinary shares granted under options</u>	<u>Subscription price</u>
3.12.2001	3.12.2003 to 2.12.2008	8,195,000	\$1.21
15.1.2002	15.1.2004 to 14.1.2009	175,000	\$1.29

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

### **(b) Thomas A. Kloet's Employment Contract (the "Contract")**

The SGX share options under the Contract was granted to Thomas A. Kloet at the EGM.

### Options Granted Under the Contract

<u>Name of participant</u>	<u>Number of ordinary shares granted under options during the financial year under review</u>	<u>Aggregate number of ordinary shares granted under options since commencement of Contract to end of the financial year under review</u>	<u>Aggregate number of ordinary shares granted under options exercised since commencement of Contract to end of financial year under review</u>	<u>Aggregate number of ordinary shares granted under options outstanding as at end of financial year under review</u>
Thomas A. Kloet	2,500,000	15,000,000*	–	15,000,000

\* The breakdown of the number of ordinary shares of SGX granted under the options to Thomas A. Kloet since the commencement of the Contract to the end of the financial year is as follows:

<u>Date of grant</u>	<u>Exercise period</u>	<u>Number of ordinary shares granted under options</u>	<u>Subscription price</u>
24.4.2000	24.4.2001 to 23.4.2010	5,000,000	\$1.10
24.4.2000	24.4.2001 to 23.4.2010	5,000,000	\$1.65
24.4.2001	24.4.2002 to 23.4.2011	2,500,000	\$1.17
24.4.2002	24.4.2003 to 23.4.2012	2,500,000	\$1.32
		<u>15,000,000</u>	

### **(c) Issue of Shares Under Option (the Scheme and the Contract)**

During the financial year, no SGX shares were allotted and issued by virtue of the exercise of the options granted pursuant to the Scheme or the Contract.

**(d) Unissued Shares Under Option (the Scheme and the Contract)**

There were 30,296,000 unissued ordinary shares under the options granted pursuant to the Scheme and the Contract at the end of the financial year. Details of the options to subscribe for ordinary shares of \$0.01 each of SGX granted to the Group Employees pursuant to the Scheme and Thomas A. Kloet under the Contract are as follows:

Date of grant	Balance as at 1.7.2001 or date of grant if later	Options lapsed	Balance as at 30.6.2002	Number of holders as at 30.6.2002	Subscription price	Fair value as at 30.6.2002 <sup>@@</sup>	Exercise Period
24.4.2000	5,000,000	-	5,000,000	1**	\$1.10	\$0.37	24.4.2001 to 23.4.2010
24.4.2000	5,000,000	-	5,000,000	1**	\$1.65	\$0.29	24.4.2001 to 23.4.2010
20.11.2000	7,790,000	509,000	7,281,000	544	\$1.10	\$0.36	20.11.2002 to 19.11.2007
24.4.2001	2,500,000	-	2,500,000	1**	\$1.17	\$0.36	24.4.2002 to 23.4.2011
3.12.2001	8,195,000	355,000	7,840,000	609	\$1.21	\$0.32	3.12.2003 to 2.12.2008
15.1.2002	175,000	-	175,000	1	\$1.29	\$0.31	15.1.2004 to 14.1.2009
24.4.2002	2,500,000	-	2,500,000	1**	\$1.32	\$0.31	24.4.2003 to 23.4.2012
Total	31,160,000	864,000	30,296,000				

\*\* Relates to Thomas A. Kloet

<sup>@@</sup> The fair value of options is estimated using the Black-Scholes Option-Pricing model based on the following factors: Current Stock Price, Option Term, Stock Price Volatility, Risk-Free Interest Rate, Dividend Yield and Exercise Price. Volatility rate is generally based on 36-month period but due to short trading period of SGX's shares, a 40% volatility rate is assumed.

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.

There are no SGX employees who have been granted or who hold options representing 5% or more of the total number of shares available under the Scheme.

No share options were granted to the SGX directors apart from Thomas A. Kloet pursuant to the Contract during this financial year.

No share options were exercised during the financial year ended 30 June 2002.

## Audit Committee

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

Ho Tian Yee (Chairman)  
Victor Liew Cheng San  
Hidetoshi Mine  
Robert Stein  
Wong Ngit Liong

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.

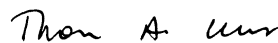
## Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the directors



J Y Pillay  
Director



Thomas A. Kloet  
Director

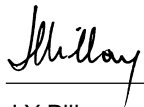
15 August 2002

## Statement by Directors

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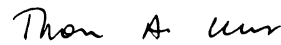
In the opinion of the directors, the financial statements set out on pages 65 to 99 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 30 June 2002 and of the results of the business and changes in equity of the Company and of the Group and the cash flows of the Group for the financial year then ended, and 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

15 August 2002



Thomas A. Kloet  
Director

# Auditors' Report to the Shareholders of Singapore Exchange Limited

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We have audited the financial statements of Singapore Exchange Limited and the consolidated financial statements of the Group for the financial year ended 30 June 2002 set out on pages 65 to 99. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying financial statements of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:
  - (i) the state of affairs of the Company and of the Group at 30 June 2002, the profit 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
  - (ii) the other matters required by section 201 of the Act to be dealt with in the financial statements of the Company and the consolidated financial statements of the Group; and
- (b) the accounting and other records, and the registers required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under Section 207(3) of the Act.



PricewaterhouseCoopers  
Certified Public Accountants

Singapore, 15 August 2002



# Balance Sheets

As at 30 June 2002

	Notes	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Current assets</b>					
Cash and cash equivalents	3	253,048	230,719	23,127	65,964
Trade and other debtors	4	313,371	337,253	21,809	40,402
Derivatives margin funds and deposits	5	1,532,519	1,846,419	-	-
Securities clearing funds	6	34,148	34,194	-	-
Available-for-sale investments	7	335,437	329,828	317,454	301,632
		<u>2,468,523</u>	<u>2,778,413</u>	<u>362,390</u>	<u>407,998</u>
<b>Non-current assets</b>					
Property, plant and equipment	8	282,344	278,550	47,413	40,381
Club memberships		700	728	700	728
Investments in subsidiaries	9	-	-	392,340	391,340
Investment in joint-venture	10	368	-	-	-
		<u>283,412</u>	<u>279,278</u>	<u>440,453</u>	<u>432,449</u>
Net assets of securities and derivatives fidelity funds	11	51,913	51,095	-	-
<b>Total assets</b>		<u>2,803,848</u>	<u>3,108,786</u>	<u>802,843</u>	<u>840,447</u>
<b>Current liabilities</b>					
Trade and other creditors	12	337,430	346,474	13,382	13,868
Derivatives margin funds and deposits	5	1,532,519	1,846,419	-	-
Securities clearing members' contributions to clearing funds	6	9,148	9,194	-	-
Provision for surplus leased premises and unutilised leave	13	4,049	-	2,601	-
Taxation	17	19,595	22,301	2,119	1,228
		<u>1,902,741</u>	<u>2,224,388</u>	<u>18,102</u>	<u>15,096</u>
<b>Non-current liabilities</b>					
Provision for surplus leased premises	13	4,816	-	3,549	-
Deferred tax liabilities	17	6,527	2,362	4,404	-
		<u>11,343</u>	<u>2,362</u>	<u>7,953</u>	<u>-</u>
<b>Total liabilities</b>		<u>1,914,084</u>	<u>2,226,750</u>	<u>26,055</u>	<u>15,096</u>
<b>Net assets</b>		<u>889,764</u>	<u>882,036</u>	<u>776,788</u>	<u>825,351</u>
<b>Equity</b>					
Share capital	14	10,000	10,000	10,000	10,000
Reserves		<u>826,573</u>	<u>820,941</u>	<u>766,788</u>	<u>815,351</u>
		<u>836,573</u>	<u>830,941</u>	<u>776,788</u>	<u>825,351</u>
<b>Minority interests</b>		1,278	-	-	-
<b>Accumulated funds of securities and derivatives fidelity funds</b>	11	<u>51,913</u>	<u>51,095</u>	<u>-</u>	<u>-</u>
		<u>889,764</u>	<u>882,036</u>	<u>776,788</u>	<u>825,351</u>

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

For the financial year ended 30 June 2002

	Notes	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Operating revenue</b>					
Clearing fees and related income (net of rebates)		115,834	107,176	-	-
Access and terminal fees		32,180	31,064	-	-
Account maintenance and processing fees		37,111	36,921	-	-
Listing and membership fees		16,677	17,295	-	-
Price information fees		11,498	11,214	-	-
Sale of software and other computer services		6,057	5,217	-	-
Management fees from subsidiaries		-	-	79,690	77,097
Gross dividend income from subsidiaries		-	-	-	106,490
Other operating revenue		9,126	8,132	1,399	1,346
<b>Total operating revenue</b>	2(m)	<b>228,483</b>	<b>217,019</b>	<b>81,089</b>	<b>184,933</b>
<b>Operating expenses</b>					
Staff costs	19	74,765	62,515	44,343	39,547
Occupancy costs		17,977	14,494	8,894	7,675
Depreciation		23,521	19,716	9,658	7,227
System maintenance and rental		18,930	20,964	7,090	10,557
Provision for surplus leased premises		7,000	-	4,893	-
Other operating expenses		29,300	26,956	10,289	6,655
<b>Total operating expenses</b>		<b>171,493</b>	<b>144,645</b>	<b>85,167</b>	<b>71,661</b>
<b>Profit/(loss) from operating activities</b>	15	<b>56,990</b>	<b>72,374</b>	<b>(4,078)</b>	<b>113,272</b>
<b>Net non-operating income/(expense)</b>	16	<b>20,107</b>	<b>(3,478)</b>	<b>15,830</b>	<b>(10,662)</b>
<b>Profit before tax and minority interests</b>		<b>77,097</b>	<b>68,896</b>	<b>11,752</b>	<b>102,610</b>
Share of results of joint-venture	10	(123)	(449)	-	-
		76,974	68,447	11,752	102,610
Tax	17	(18,710)	(19,422)	(5,200)	(25,675)
<b>Profit after tax and before minority interests</b>		<b>58,264</b>	<b>49,025</b>	<b>6,552</b>	<b>76,935</b>
Minority interests		2,642	-	-	-
<b>Profit after tax and minority interests</b>		<b>60,906</b>	<b>49,025</b>	<b>6,552</b>	<b>76,935</b>
<b>Earnings per share (cents)</b>	18				
- Basic		6.09	6.47		
- Diluted		6.08	6.46		

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 2002

## The Group

Notes	Share capital	Share premium*	Clearing fund reserve* (Note 6)	Translation reserve*	Hedging reserve*	General reserve	Retained profits	Proposed dividends	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2001</b>	<b>10,000</b>	<b>305,537</b>	<b>25,000</b>	<b>28</b>	<b>-</b>	<b>404,322</b>	<b>53,589</b>	<b>-</b>	<b>798,476</b>
- as previously reported	-	-	-	-	-	-	-	32,465	32,465
- effect of adopting SAS 31	-	-	-	-	-	-	-	-	830,941
- as restated	-	-	-	-	(1,755)	-	-	-	(1,755)
- effect of adopting SAS 33	-	-	-	-	(1,755)	-	-	-	(1,755)
	10,000	305,537	25,000	28	(1,755)	404,322	53,589	32,465	829,186
Gain on hedging									
- unrealised	-	-	-	-	1,279	-	-	-	1,279
- transfer to income statement	-	-	-	-	329	-	(329)	-	-
Net profit before realisation of hedging reserve	-	-	-	-	-	-	61,235	-	61,235
Net profit for the financial year	-	-	-	-	1,608	-	60,906	-	62,514
Currency translation differences recognised directly in shareholders' equity	-	-	-	(12)	-	-	-	-	(12)
<b>Total recognised gains for the financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12)</b>	<b>1,608</b>	<b>-</b>	<b>60,906</b>	<b>-</b>	<b>62,502</b>
Transfer to retained profits	-	-	-	-	-	(404,322)	-	-	(404,322)
Transfer from general reserve	-	-	-	-	-	-	404,322	-	404,322
Dividends paid									
- Financial year 2001	20	-	-	-	-	-	-	(32,465)	(32,465)
- Financial year 2002	20	-	-	-	-	-	(22,650)	-	(22,650)
Proposed dividends									
- Financial year 2002	20	-	-	-	-	-	(34,290)	34,290	-
<b>Balance at 30 June 2002</b>	<b>10,000</b>	<b>305,537</b>	<b>25,000</b>	<b>16</b>	<b>(147)</b>	<b>-</b>	<b>461,877</b>	<b>34,290</b>	<b>836,573</b>
<b>Balance at 1 July 2000</b>	<b>62</b>	<b>308,278</b>	<b>25,000</b>	<b>17</b>	<b>-</b>	<b>404,322</b>	<b>59,679</b>	<b>-</b>	<b>797,358</b>
Currency translation differences recognised directly in shareholders' equity	-	-	-	11	-	-	-	-	11
Net profit for the financial year	-	-	-	-	-	-	49,025	-	49,025
<b>Total recognised gains for the financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>49,025</b>	<b>-</b>	<b>49,036</b>
Bonus issue of ordinary shares	14	2,741	(2,741)	-	-	-	-	-	-
Issue of ordinary share capital	14	7,197	-	-	-	-	-	-	7,197
Dividends paid									
- Financial year 2001	20	-	-	-	-	-	(22,650)	-	(22,650)
Proposed dividends									
- Financial year 2001	20	-	-	-	-	-	(32,465)	32,465	-
<b>Balance at 30 June 2001</b>	<b>10,000</b>	<b>305,537</b>	<b>25,000</b>	<b>28</b>	<b>-</b>	<b>404,322</b>	<b>53,589</b>	<b>32,465</b>	<b>830,941</b>

\* 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 2002

## The Company

	Notes	Share capital \$'000	Share premium* \$'000	Retained profits \$'000	Proposed dividends \$'000	Total \$'000
<b>Balance at 1 July 2001</b>		<b>10,000</b>	<b>305,537</b>	<b>477,349</b>	<b>-</b>	<b>792,886</b>
- as previously reported		-	-	-	32,465	32,465
- effect of adopting SAS 31		10,000	305,537	477,349	32,465	825,351
- as restated						
Net profit - total recognised gains for the financial year		-	-	6,552	-	6,552
Dividends paid						
- Financial year 2001	20	-	-	-	(32,465)	(32,465)
- Financial year 2002	20	-	-	(22,650)	-	(22,650)
Proposed dividends						
- Financial year 2002	20	-	-	(34,290)	34,290	-
<b>Balance at 30 June 2002</b>		<b>10,000</b>	<b>305,537</b>	<b>426,961</b>	<b>34,290</b>	<b>776,788</b>
<b>Balance at 1 July 2000</b>		<b>62</b>	<b>308,278</b>	<b>455,529</b>	<b>-</b>	<b>763,869</b>
Net profit - total recognised gains for the financial year		-	-	76,935	-	76,935
Bonus issue of ordinary share capital	14	2,741	(2,741)	-	-	-
Issue of ordinary share capital	14	7,197	-	-	-	7,197
Dividends paid						
- Financial year 2001	20	-	-	(22,650)	-	(22,650)
Proposed dividends						
- Financial year 2001	20	-	-	(32,465)	32,465	-
<b>Balance at 30 June 2001</b>		<b>10,000</b>	<b>305,537</b>	<b>477,349</b>	<b>32,465</b>	<b>825,351</b>

\* 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 2002

	Notes	2002 \$'000	2001 \$'000
<b>Cash flows from operating activities</b>			
Profit before tax and share of results of joint-venture		77,097	68,896
Adjustments for:			
- Depreciation		23,521	19,716
- Provision for surplus leased premises		7,000	-
- Net (gain)/loss on revaluation of investments		(15,148)	13,960
- Write-off of property, plant and equipment		635	-
- Write down of club membership		28	-
- Interest income		(4,660)	(10,128)
Operating cash flow before working capital change		88,473	92,444
Change in operating assets and liabilities			
- Trade and other receivables		15,108	32,023
- Trade and other payables		(7,046)	(27,332)
Cash generated from operations		96,535	97,135
Income tax paid		(17,385)	(36,056)
Dividends paid		(55,115)	(22,650)
<b>Net cash from operating activities</b>		<b>24,035</b>	<b>38,429</b>
<b>Cash flows from investing activities</b>			
Payments for properties under development		-	(100,864)
Payments for property, plant and equipment		(29,578)	(23,313)
Purchase of investments		-	(315,000)
Interest received		7,134	13,822
Proceeds from sale of investment		10,187	9,000
Receipt from Financial Sector Development Fund ("FSDF") for purchase of property, plant and equipment		1,628	112
Investment in joint-venture		(890)	(50)
<b>Net cash used in investing activities</b>		<b>(11,519)</b>	<b>(416,293)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary shares		-	7,197
Receipt from FSDF		5,905	-
Contributions from minority interests		3,920	-
<b>Net cash from financing activities</b>		<b>9,825</b>	<b>7,197</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>22,341</b>	<b>(370,667)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>230,719</b>	<b>601,375</b>
Effects of exchange rate changes on cash and cash equivalents		(12)	11
<b>Cash and cash equivalents at the end of the financial year</b>	3	<b>253,048</b>	<b>230,719</b>

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 2002

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 the Singapore Exchange Securities Trading Limited. 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 and the provision of management and administrative services to related corporations. The principal activities of 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 Accounting

The financial statements are prepared in accordance with the historical cost convention, modified to include available-for-sale investments at fair value and are expressed in Singapore dollars.

The financial statements have been prepared in compliance with Singapore Statements of Accounting Standard ("SAS"). The new or revised SAS adopted during the financial year include:

- |                         |  |
|-------------------------|--|
| • SAS 8 (Revised 2000)  | Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies |
| • SAS 10 (Revised 2000) | Events after the Balance Sheet Date  |
| • SAS 12 (Revised 2001) | Income Taxes   |
| • SAS 17 (Revised 2000) | Employee Benefits  |
| • SAS 22                | Business Combinations  |
| • SAS 26                | Consolidated Financial Statements and Accounting for Investments in Subsidiaries         |
| • SAS 29                | Financial Reporting of Interests in Joint Ventures                                       |
| • SAS 31                | Provisions, Contingent Liabilities and Contingent Assets                                 |
| • SAS 32                | Financial Instruments: Disclosure and Presentation                                       |
| • SAS 33                | Financial Instruments: Recognition and Measurement                                       |
| • SAS 34                | Intangible Assets  |
| • SAS 36                | Impairment of Assets   |

## 2. Significant Accounting Policies (continued)

### (a) Basis of Accounting (continued)

The effects of adopting SAS 31 is summarised in the consolidated statement of changes in shareholders' equity and further information is disclosed in Note 20.

SAS 33, which the Group has adopted before its effective date, requires the gain or loss on the effective cash flow hedge to be recognised directly in equity. Accordingly, an amount of \$1,755,000 was reclassified from trade and other debtors to hedging reserve as of 1 July 2001. SAS 33 specifically requires no retrospective adjustment to be made for the comparative figures as of 30 June 2001.

There are no other material adjustments to the financial statements arising from the adoption of these new or revised SAS.

### (b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. The results of subsidiaries acquired or disposed of during the financial year are included in or excluded from the consolidated income statement from the date of their acquisition or disposal. Intercompany balances and transactions and resulting unrealised profits are eliminated in full on consolidation.

### (c) Foreign Currencies

Transactions in foreign currencies during the financial year are converted to Singapore dollars at the rates of exchange prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date or at contracted rates where they are covered by forward exchange contracts. Exchange differences arising are taken to the income statement.

Exchange differences arising from translating foreign currencies purchased to hedge against specific capital or operating expenditure commitments at balance sheet date are taken to shareholders' equity. These are released to match against the related capital or operating expenditure transactions, when they are incurred.

For the purpose of consolidation of foreign subsidiaries whose operations are integral to those of the Company, all monetary assets and liabilities are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date. All non-monetary assets and liabilities are recorded at the exchange rates when the relevant transactions occurred, and the results are translated using average monthly exchange rates. The exchange differences arising are taken to reserves.

### (d) Bad and Doubtful Debts

Bad debts are written off and specific provisions are made for those debts considered to be doubtful.

## 2. Significant Accounting Policies (continued)

### (e) Investments

With effect from 1 July 2001, the Group adopted SAS 33 and classified its investments into the following categories: trading, held-to-maturity and available-for-sale. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets. During the financial year, the Group did not hold any investments in these categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale and are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value, whilst held-to-maturity investments are carried at amortised cost using the effective yield method. Realised and unrealised gains and losses arising from changes in the fair value of trading investments and of available-for-sale investments are included in the income statement in the financial year in which they arise.

Prior to the adoption of SAS 33, the Group had recorded its marketable securities at fair value; and unquoted investment at cost, less any provision for impairment.

Investments in subsidiaries that are intended to be held for the long-term are stated in the financial statements at cost less provision. Provision is made in recognition of any diminution in the value of the investments which is other than temporary, determined on an individual investment basis.

### (f) Joint-Ventures

Investments in joint-ventures are stated in the Company's financial statements at cost less amounts written off where there is a diminution in value which is considered not to be temporary.

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.

### (g) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its estimated recoverable amount.



## 2. Significant Accounting Policies (continued)

### (h) 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
Computers - Hardware	3 to 5 years
- Software	1 to 3 years
Motor vehicles	4 years

No depreciation is provided on freehold land, properties under development and work-in-progress.

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

### (i) Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets of subsidiaries and associates when acquired. Goodwill is amortised on a straight-line basis, through the consolidated income statement, over its useful economic life up to a maximum of 20 financial years. Goodwill which is assessed as having no continuing economic value is written off to the consolidated income statement.

### (j) Cash and Cash Equivalents

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

### (k) Provisions

Provisions are recognised when the Group has a present 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 sub-let for lower rentals than it is presently obliged to pay under the existing lease.

The provision is calculated on a discounted cash flow basis.

### (l) Share Capital

Ordinary shares are classified as equity.

Dividends on ordinary shares are recognised in equity in the year in which they are declared.

## 2. Significant Accounting Policies (continued)

### (m) Revenue Recognition

Revenue is recognised on the following basis:

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

In the current financial year, certain categories of operating revenue, which were previously presented net of pertaining direct costs, have been presented on a gross basis, resulting in an increase in comparative operating revenues and operating expenses for the Group by \$8,656,000 each, and \$1,057,000 each for the Company.

### (n) 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. The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of certain non-current assets and tax losses carried forward; and in relation to acquisitions on the difference between the fair values of the net assets and their tax base. Tax rates enacted or substantively enacted by the balance sheet date are used to determine 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.

### (o) Accounting for Leases

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. Significant Accounting Policies (continued)

(p) Government Grants

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.

(q) 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 19).

*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. If the options are granted at a discount on the market price, a compensation cost is recognised in the income statement based on that discount. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(r) Financial Risk Management

*(i) Foreign Exchange Risk*

The Group's foreign exchange exposure arises from the clearing and settlement of various products and services. 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.

*(ii) Interest Rate Risk*

The Group does not have any borrowings as at the end of the financial year. The Group places most of its excess liquidity in bond investments and fixed deposits.

*(iii) Counterparty and Credit Risk*

Counterparty and credit risk is defined as the potential loss arising from any failure by counterparties to fulfill 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 to reduce its risk.

Credit risk relating to investment securities is managed by placing certain funds with a minimum of two professional fund managers who invest the portfolio in accordance with investment agreements approved by the Board. The investment agreements provide guidelines limiting the exposure of the portfolio to an optimum level of liquidity in investments with a number of counterparties, including restricting the maximum value of the portfolios held by each counterparty.

## 2. Significant Accounting Policies (continued)

### (r) Financial Risk Management (continued)

#### *(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.

### (s) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. Where applicable, the comparatives have been adjusted or extended to take into account the requirements of the new or revised SAS which the Group implemented during the financial year ended 30 June 2002.

There are no changes in accounting policy that materially affect operating profit resulting from the adoption of the new or revised standards in these financial statements, as the Group was already following the recognition and measurement principles in those standards.

## 3. Cash and Cash Equivalents

	<u>The Group</u>		<u>The Company</u>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Cash at bank and on hand	<b>208,948</b>	26,119	<b>23,127</b>	464
Fixed deposits with banks	<b>44,100</b>	204,600	-	65,500
	<b>253,048</b>	230,719	<b>23,127</b>	65,964

Cash at bank of the Group and the Company of \$208,631,000 (2001: \$25,684,000) and \$23,113,000 (2001: \$458,000) respectively bear interest at an average rate of 0.71% (2001: 3.36%) and 0.58% (2001: 1.56%) per annum respectively.

The fixed deposits at the balance sheet date have the following average maturity and weighted average effective interest rate:

	<u>The Group</u>		<u>The Company</u>	
	<b>2002</b>	2001	<b>2002</b>	2001
Average maturity (days)	<b>85</b>	<b>122</b>	-	<b>74</b>
Effective weighted average interest rate (% per annum)	<b>0.76</b>	<b>2.27</b>	-	<b>2.3</b>

#### 4. Trade and Other Debtors

	The Group		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Trade receivables (net) (Note (a))	301,664	314,942	1,338	1,449
Other debtors (Note (b))	11,573	22,107	5,200	11,200
Due from fidelity funds	134	204	-	-
Amounts due from subsidiaries (trade) (Note (c))	-	-	15,271	27,753
	<b>313,371</b>	<b>337,253</b>	<b>21,809</b>	<b>40,402</b>
 (a) Trade receivables comprise:				
Receivables from clearing members:				
- Daily settlements of accounts for due contracts and rights	275,799	289,791	-	-
- Clearing and other fees	15,428	13,536	-	-
Other trade receivables	11,282	11,986	1,338	1,449
	<b>302,509</b>	<b>315,313</b>	<b>1,338</b>	<b>1,449</b>
Less: Provision for doubtful debts	(845)	(371)	-	-
	<b>301,664</b>	<b>314,942</b>	<b>1,338</b>	<b>1,449</b>
 <u>Movements in provision for doubtful debts are as follows:</u>				
Balance at the beginning of the financial year	371	369	-	-
Bad debts written off against provision	(40)	-	-	-
Provision for doubtful debts	514	2	-	-
Balance at the end of the financial year	<b>845</b>	<b>371</b>	<b>-</b>	<b>-</b>
 (b) Other debtors comprise:				
Interest receivable	1,150	2,973	-	167
Prepayments	4,780	5,673	2,575	2,291
Deposits	2,858	2,455	2,175	2,129
Staff advances	598	707	382	439
Recoverable merger-related expenses	-	6,097	-	6,097
Others (non-trade)	2,187	4,202	68	77
	<b>11,573</b>	<b>22,107</b>	<b>5,200</b>	<b>11,200</b>
 (c) The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.				

## 5. Derivatives Margin Funds and Deposits

	The Group	
	2002	2001
	\$'000	\$'000
Margin funds and settlement variation relating to derivatives contracts (Note (a))	1,509,040	1,816,244
Security deposits of derivatives clearing members (Note (b))	23,479	30,175
	<u>1,532,519</u>	<u>1,846,419</u>

- (a) Margin funds and settlement variation relating to derivatives contracts comprise:

	The Group	
	2002	2001
	\$'000	\$'000
Margin deposits	1,505,803	1,801,187
Mutual offset settlement variation	3,237	15,057
	<u>1,509,040</u>	<u>1,816,244</u>

Margin deposits comprise cash deposited by derivatives clearing members of the derivatives clearing subsidiary, Singapore Exchange Derivatives Clearing Limited ("SGX-DC") as margins for their outstanding derivatives contracts.

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

In addition, the following amounts of government securities, primarily US government securities, and irrevocable letters of credit are provided as collaterals from derivatives clearing members in order to meet the latter's obligations to SGX-DC for margin requirements. These government securities and irrevocable letters of credit are not included as part of the balance sheet of the Group.

	2002	2001
	\$'000	\$'000
Quoted government securities, at fair value	<u>623,089</u>	<u>750,580</u>
Irrevocable letters of credit	<u>142,336</u>	<u>246,064</u>

- (b) Security deposits of derivatives clearing members

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.

## 5. Derivatives Margin Funds and Deposits (continued)

### (b) Security deposits of derivatives clearing members (continued)

Cash security deposits are placed in interest bearing accounts with banks. Interest earned on the security deposits is returned to the clearing members, with a portion retained by the Group.

	The Group	
	2002	2001
	\$'000	\$'000
Cash deposits with banks	<b>23,479</b>	30,175

In addition, the Group also holds the following irrevocable letters of credit from clearing members, in lieu of cash, for their derivatives clearing obligations to SGX-DC. These letters of credit are not included in the balance sheet of the Group.

	2002	2001
	\$'000	\$'000
Irrevocable letters of credit	<b>48,064</b>	59,969

## 6. Securities Clearing Funds

The securities clearing funds were established under the clearing rules of the securities clearing subsidiaries, The Central Depository (Pte) Limited ("CDP") and Options Clearing Company (Pte) Limited ("OCC"). The clearing funds are to provide resources to enable CDP and OCC to discharge their obligations, and liabilities of defaulting clearing members arising from transactions in approved securities and options.

### (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 a standby credit facility of \$75 million to the clearing fund.

Payments out of the CDP clearing fund shall be made in the following order:

- (i) Contributions by defaulting clearing members
- (ii) Contributions of CDP
- (iii) Contributions by all other clearing members on pro-rata basis in the proportion of each clearing member's turnover to the total turnover of all clearing members at that point of default
- (iv) Insurance
- (v) Standby credit facility

## 6. Securities Clearing Funds (continued)

### (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 translated or cleared by the clearing member. The clearing member's clearing fund total deposit shall consist of the aggregate amount of the base and variable deposit paid by the clearing member.

Payments out of the OCC clearing fund shall be made in the following order:

- (i) Total deposits of defaulting clearing members
- (ii) Base deposits of all other clearing members on a pro-rata basis
- (iii) Insurance

### (c) Securities clearing fund contributions comprise:

	<u>The Group</u>	
	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
Cash contributions by CDP clearing members	<b>8,578</b>	8,354
Cash contributions by OCC clearing members	<b>570</b>	840
Total cash contributions by securities clearing members	<b>9,148</b>	9,194
Cash contributions by CDP	<b>25,000</b>	25,000
	<b>34,148</b>	34,194
Contributions by securities clearing members in the form of bank guarantees	<b>9,524</b>	12,114
	<b>43,672</b>	46,308

As at 30 June 2002, all cash contributions are placed in interest bearing accounts with banks and are included in cash and cash equivalents on the balance sheet. Interest earned on the cash contributions by clearing members is credited to the clearing members while interest earned on the cash contributions by CDP is credited to CDP.

The bank guarantees are not included in the Group's balance sheet.

The contributions of clearing members are recorded as current liabilities of the Group.

The contributions by CDP are included in the reserves of the Group.



## 7. Available-for-sale investments

	<u>The Group</u>		<u>The Company</u>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Amounts under fund management (Note (a))	<b>317,454</b>	301,632	<b>317,454</b>	301,632
Other investments (Note (b))	<b>17,983</b>	28,196	-	-
	<b>335,437</b>	329,828	<b>317,454</b>	301,632

- (a) Amounts under fund management can be analysed as follows:

	<u>The Group</u>		<u>The Company</u>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Quoted bond investments, at fair value				
- government and public	<b>164,511</b>	51,964	<b>164,511</b>	51,964
- corporate	<b>85,211</b>	5,958	<b>85,211</b>	5,958
Unit trusts, at fair value	<b>66,873</b>	64,770	<b>66,873</b>	64,770
Cash				
- cash at bank	<b>859</b>	1,773	<b>859</b>	1,773
- fixed deposits with banks	-	177,167	-	177,167
	<b>317,454</b>	301,632	<b>317,454</b>	301,632

- (b) Other investments comprises:

	<u>The Group</u>		<u>The Company</u>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Quoted investments, at fair value (see (i) below)	<b>17,983</b>	26,946	-	-
Unquoted bond investments, at fair value	-	1,250	-	-
	<b>17,983</b>	28,196	-	-

- (i) Quoted investments comprises:

Bonds and debentures				
- government and public	<b>8,372</b>	8,251	-	-
- corporate	<b>9,611</b>	14,579	-	-
Others	-	4,116	-	-
	<b>17,983</b>	26,946	-	-

Available-for-sale investments traded in active markets are fair valued by reference to quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets.

- (c) The interest bearing investments as at 30 June 2002 have the following average maturity terms and weighted yield to maturity:

	<u>The Group</u>	<u>The Company</u>
Average maturity (years)	<b>2.93</b>	2.92
Weighted yield to maturity (% per annum)	<b>3.05</b>	2.94

## 8. Property, Plant and Equipment

	Freehold land	Freehold buildings	Leasehold land and buildings	Leasehold improvements	Furniture, fittings and office equipment	Computers	Motor vehicles	Work- in-progress**	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>The Group</b>									
<i>Cost</i>									
At 1 July 2001	17,478	8,261	213,433	18,170	14,161	103,001	1,091	10,620	386,215
Additions	-	-	1,429	164	308	5,412	-	20,637	27,950
Reclassification	-	-	-	14,136	116	9,353	-	(23,605)	-
Disposals	-	-	-	(6,779)	(6,038)	(3,572)	-	-	(16,389)
At 30 June 2002	17,478	8,261	214,862	25,691	8,547	114,194	1,091	7,652	397,776
<i>Accumulated depreciation</i>									
At 1 July 2001	-	1,652	27	17,238	11,667	76,557	524	-	107,665
Depreciation charge	-	265	1,888	2,515	708	17,921	224	-	23,521
Reclassification	-	-	-	421	(421)	-	-	-	-
Disposals	-	-	-	(6,652)	(5,494)	(3,608)	-	-	(15,754)
At 30 June 2002	-	1,917	1,915	13,522	6,460	90,870	748	-	115,432
<b>Net book value</b>									
<b>At 30 June 2002</b>	<b>17,478</b>	<b>6,344</b>	<b>212,947</b>	<b>12,169</b>	<b>2,087</b>	<b>23,324</b>	<b>343</b>	<b>7,652</b>	<b>282,344</b>
<i>Net book value</i>									
At 30 June 2001	17,478	6,609	213,406	932	2,494	26,444	567	10,620	278,550

	Freehold land	Freehold buildings	Leasehold improvements	Furniture, fittings and office equipment	Computers	Motor vehicles	Work- in-progress**	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>The Company</b>								
<i>Cost</i>								
At 1 July 2001	17,478	8,261	11,955	7,607	29,284	1,044	4,946	80,575
Additions	-	-	13	36	1,556	-	17,886	19,491
Intercompany transfer	-	-	-	-	(16)	-	(2,162)	(2,178)
Reclassification	-	-	14,333	(427)	6,111	-	(20,017)	-
Disposals	-	-	(6,727)	(5,680)	(3,346)	-	-	(15,753)
At 30 June 2002	17,478	8,261	19,574	1,536	33,589	1,044	653	82,135
<i>Accumulated depreciation</i>								
At 1 July 2001	-	1,652	11,278	6,661	20,107	496	-	40,194
Depreciation charge	-	265	2,313	225	6,644	211	-	9,658
Intercompany transfer	-	-	618	(618)	-	-	-	-
Disposals	-	-	(6,621)	(5,163)	(3,346)	-	-	(15,130)
At 30 June 2002	-	1,917	7,588	1,105	23,405	707	-	34,722
<b>Net book value</b>								
<b>At 30 June 2002</b>	<b>17,478</b>	<b>6,344</b>	<b>11,986</b>	<b>431</b>	<b>10,184</b>	<b>337</b>	<b>653</b>	<b>47,413</b>
<i>Net book value</i>								
At 30 June 2001	17,478	6,609	677	946	9,177	548	4,946	40,381

\*\* 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
Office building complex, SGX Centre, Singapore	99 years lease commencing from 13.11.1995
Industrial building, located at 18 New Industrial Road, Singapore	Freehold
Villa at Bintan Lagoon Golf and Beach Resort, Indonesia	26 years lease commencing from 14.6.1996

## 9. Investments in Subsidiaries

Name of subsidiaries	Principal activities	Country of business and incorporation	Equity holding held by				Cost of investment			
			The Company		Subsidiaries		The Company		Subsidiaries	
			2002 %	2001 %	2002 %	2001 %	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Singapore Exchange Securities Trading Limited	Conducting a securities exchange	Singapore	100	100	-	-	198,000	198,000	-	-
Singapore Exchange Derivatives Trading Limited	Conducting a financial derivatives exchange	Singapore	100	100	-	-	110,340	110,340	-	-
Singapore Exchange Derivatives Clearing Limited	Provide clearing, counterparty guarantee and related services for derivatives transactions	Singapore	100	100	-	-	68,000	68,000	-	-
The Central Depository (Pte) Limited	Provide clearing, counterparty guarantee, depository and related services for securities transactions	Singapore	100	100	-	-	15,000	15,000	-	-
Singapore Exchange IT Solutions Pte Limited	Provide computer services and maintenance, leasing and rental of software and hardware, developing applications and software maintenance	Singapore	100	100	-	-	#	#	-	-
Macronet Information Pte Ltd	Provide corporate share registration and custody-related services	Singapore	-	-	100	100	-	-	200	200
Options Clearing Company (Pte) Limited	Provide facilities for the registration of options and the maintenance of margin for the options relating to securities	Singapore	-	-	100	100	-	-	200	200
SGX America Ltd®	Marketing and disseminating information about Singapore Exchange Limited	United States of America	-	-	100	100	-	-	71	71
Asia Converge Pte Ltd (Formerly known as Megatrex Trading Pte Ltd)	Provide backroom outsourcing services to securities brokers	Singapore	-	-	51	100	-	-	4,080	#
SGXLink Pte Ltd	Facilitate cross-border linkage trade of selected securities listed on Singapore Exchange Securities Trading Limited and Australian Stock Exchange Limited	Singapore	100	-	-	-	1,000	-	-	-
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	-	-	#	#
							<b>392,340</b>	<b>391,340</b>	<b>4,551</b>	<b>471</b>

# Less than \$1,000.

® Company not required to be audited in the United States of America.

## 10. Investment in Joint-Venture

	The Group	
	2002	2001
	\$'000	\$'000
Cost of investment	940	50
Share of results	(572)	(50)
	<u>368</u>	<u>-</u>

The Group has a 50% 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 has been equity accounted in the consolidated balance sheet and income statement:

	The Group	
	2002	2001
	\$'000	\$'000
Total assets	429	53
Total liabilities	(61)	(452)
Net assets/(liabilities)	<u>368</u>	<u>(399)</u>
Income	<u>3</u>	<u>2</u>
Loss after tax for the financial year	<u>(123)</u>	<u>(449)</u>

## 11. Net Assets of Securities and Derivatives Fidelity Funds

Fidelity funds are maintained by the securities and derivatives exchange subsidiaries, as required by Section 75 of the Securities Industry Act, and Section 49A of the Futures Trading Act respectively, as follows:

	The Group	
	2002	2001
	\$'000	\$'000
Securities exchange fidelity fund	31,128	30,655
Derivatives exchange fidelity fund	<u>20,785</u>	<u>20,440</u>
	<u>51,913</u>	<u>51,095</u>

The purpose of the securities exchange fidelity fund maintained by Singapore Exchange Securities Trading Limited ("SGX-ST") is to compensate any person who has suffered a pecuniary loss from any defalcation committed by a member company or its personnel, including its directors, dealer's representatives or employees in relation to any money or property which was entrusted to or received by the member company or its personnel.

## 11. Net Assets of Securities and Derivatives Fidelity Funds (continued)

The purpose of the derivatives exchange fidelity fund maintained by Singapore Exchange Derivatives Trading Limited ("SGX-DT") is to compensate any person, other than an accredited investor, who suffers pecuniary loss because of a defalcation committed in the course of or in connection with the trading of a futures contract which is cleared or to be cleared by Singapore Exchange Derivatives Clearing Limited, by a SGX-DT member or by any director, officer, futures broker's representative or employee, as the case may be, of any SGX-DT member in relation to any money or other property which was entrusted to or received by that SGX-DT member or by any of its directors, officers, futures broker's representatives or employees for or on behalf of any other persons or was entrusted to or received by that SGX-DT member as a trustee.

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

No further provision has been made in the current financial statements of the Group 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 Futures Trading Act and Securities Industry Act has been reached.

	The Group	
	2002	2001
	\$'000	\$'000
The assets of the securities and derivatives fidelity funds comprise:		
Fixed deposits with banks	46,749	45,779
Government securities, at cost	5,000	5,000
Interest receivable	302	614
Bank balance	126	27
	<b>52,177</b>	<b>51,420</b>
The liabilities of the securities and derivatives fidelity funds comprise:		
Other creditors and accruals	6	2
Provision for taxation	106	91
Due to general fund	134	204
Deferred tax liabilities	18	28
	<b>264</b>	<b>325</b>
Net assets of securities and derivatives fidelity funds	<b>51,913</b>	<b>51,095</b>

## 12. Trade and Other Creditors

	The Group		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Trade creditor (Note (a))	280,866	293,196	-	-
Other creditors (Note (b))	56,564	53,278	13,382	12,170
Amount due to subsidiaries (non-trade) (Note (c))	-	-	-	1,698
	<b>337,430</b>	<b>346,474</b>	<b>13,382</b>	<b>13,868</b>
(a) Trade creditors comprise:				
Payables to clearing members - daily settlements of accounts for due contracts and rights	275,799	289,791	-	-
Other trade creditors	5,067	3,405	-	-
	<b>280,866</b>	<b>293,196</b>	<b>-</b>	<b>-</b>

## 12. Trade and Other Creditors (continued)

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
(b) Other creditors comprise:				
Accrued operating expenses	16,897	13,475	3,327	4,552
Retention sums	13,370	21,253	-	-
Provision for bonus and Central Provident Fund	14,124	9,047	8,204	5,474
Interest payable to members	911	1,956	-	-
Advance receipts	4,300	4,671	18	99
Others (non-trade)	6,962	2,876	1,833	2,045
	<b>56,564</b>	<b>53,278</b>	<b>13,382</b>	<b>12,170</b>

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

## 13. Provision for Surplus Leased Premises and Unutilised Leave

### (a) Current

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Provision for surplus leased premises (Note (c))	2,184	-	1,344	-
Provision for unutilised leave	1,865	-	1,257	-
	<b>4,049</b>	<b>-</b>	<b>2,601</b>	<b>-</b>

### (b) Non-Current

Provision for surplus leased premises (Note (c))	<b>4,816</b>	<b>-</b>	<b>3,549</b>	<b>-</b>
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### (c) Provision for Surplus Leased Premises

The amounts shown comprise gross provisions in respect of non-cancellable operating leases which the Group currently does not occupy and does not expect to occupy in the future.

The provision has been calculated on the basis of discounted net future cash flow which the Group has to pay the landlord 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.

## 14. Share Capital of Singapore Exchange Limited

### (a) Authorised Ordinary Share Capital

	The Group and The Company	
	2002 \$'000	2001 \$'000
100 billion (2001: 100 billion) ordinary shares of \$0.01 (2001: \$0.01) each	<b>1,000,000</b>	<b>1,000,000</b>

## 14. Share Capital of Singapore Exchange Limited (continued)

### (b) Issued and Fully Paid Ordinary Share Capital

	The Group and The Company			
	2002 Number of shares '000	2001 Number of shares '000	2002 Paid up share capital \$'000	2001 Paid up share capital \$'000
Balance at the beginning of the financial year	1,000,000	62	10,000	62
Sub-division into shares of \$0.01 each	-	6,105	-	-
Bonus issue of shares at \$0.01 each	-	274,151	-	2,741
Issue shares of \$0.01 each	-	719,682	-	7,197
Balance at the end of the financial year	1,000,000	1,000,000	10,000	10,000

### (c) Outstanding Options

Shares options are granted to a director and to employees. Movements in the number of share options outstanding are as follows:

	2002	2001
At beginning of year	20,290,000	10,000,000
Granted	10,870,000	11,047,000
Lapsed	(864,000)	(757,000)
At end of year	30,296,000	20,290,000

As at 30 June 2002, there were the following outstanding options to subscribe for ordinary share of \$0.01 each as indicated below:

#### (i) Option Granted to Thomas A. Kloet

<u>Number of options for ordinary shares of \$0.01 each granted</u>	<u>Exercise price</u>	<u>Exercise period</u>
5,000,000	\$1.10	24.4.2001 to 23.4.2010
5,000,000	\$1.65	24.4.2001 to 23.4.2010
2,500,000	\$1.17	24.4.2002 to 23.4.2011
2,500,000	\$1.32	24.4.2003 to 23.4.2012
<u>15,000,000</u>		

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

#### (ii) Options Granted to Other Employees

<u>Number of options for ordinary shares of \$0.01 each granted</u>	<u>Exercise price</u>	<u>Exercise period</u>
7,281,000	\$1.10	20.11.2002 to 19.11.2007
7,840,000	\$1.21	3.12.2003 to 2.12.2008
175,000	\$1.29	15.1.2004 to 14.1.2009
<u>15,296,000</u>		

## 15. Profit/(Loss) from Operating Activities

	The Group		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
<u>Profit/(loss) from operating activities</u>				
<u>is arrived at after:</u>				
Charging:				
Audit services by auditors of the Company				
- current year	432	312	150	135
- prior year	40	105	(5)	20
Other services by auditors of the Company	196	250	70	170
Depreciation of property, plant and equipment				
- Freehold building	265	275	265	275
- Leasehold land and buildings	1,888	5	-	-
- Leasehold improvements	2,515	1,581	2,313	1,266
- Furniture, fittings and office equipment	708	1,222	225	438
- Computers	17,921	16,374	6,644	5,014
- Motor vehicles	224	259	211	234
Write-off of property, plant and equipment	635	-	623	-
Directors' fees				
- of the Company	286	308	286	308
Directors' remuneration				
- of the Company	3,532	3,772	3,532	3,772
- of the subsidiaries	2,212	1,849	-	-
Net foreign exchange loss	72	-	22	13
Rental expenses – operating leases	16,311	18,608	7,601	8,847
Rental expenses paid to subsidiaries	-	-	1,071	-
Provision for doubtful trade debts	514	2	-	-
Bad debts written off (trade)	4	50	-	-
Recoverable merger-related expenses written off	191	-	191	-
Provision for unutilised leave	1,865	-	1,257	-
Exceptional item – Provision for surplus leased premises	7,000	-	4,893	-
And crediting:				
Rental income from subsidiary	-	-	65	65
Gross dividend income from subsidiaries	-	-	-	106,490
Gain on disposal of property, plant and equipment	39	-	25	-
Net foreign exchange gain	-	303	-	-
Bank interest income	3,985	2,117	-	-



## 16. Net Non-Operating Income/(Expense)

	The Group		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Investment gains/(losses) (Note (a))	16,029	(12,743)	15,176	(13,704)
Interest income, other income and expenses (Note (b))	4,078	9,265	654	3,042
	<b>20,107</b>	<b>(3,478)</b>	<b>15,830</b>	<b>(10,662)</b>
 (a) <u>Investment Gains/(Losses)</u>				
Gains from fund management				
- interest income	8,125	3,650	8,125	3,650
- gain/(loss) on disposals	982	(270)	982	(270)
- unrealised gain on revaluation	6,724	4,176	6,724	4,176
- others	(655)	(1,132)	(655)	(1,132)
	<b>15,176</b>	<b>6,424</b>	<b>15,176</b>	<b>6,424</b>
Loss on liquidation of equity portfolio	-	(20,545)	-	(20,545)
Interest income from bonds and debentures	881	1,218	-	350
(Loss)/profit on sale of investments	(1)	-	-	67
Unrealised (loss)/gain on revaluation of investments	(27)	160	-	-
	<b>16,029</b>	<b>(12,743)</b>	<b>15,176</b>	<b>(13,704)</b>
 (b) <u>Interest Income, Other Income and Expenses</u>				
Fixed deposits with banks	2,619	7,817	535	2,574
Other interest income	1,160	633	52	457
Sundry income	327	815	95	11
Write down of value of club memberships	(28)	-	(28)	-
	<b>4,078</b>	<b>9,265</b>	<b>654</b>	<b>3,042</b>

## 17. Taxation

(a) <u>Tax Expense</u>	The Group		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Tax expense attributable to profit is made up of:				
Current tax	18,694	19,463	2,270	25,675
Deferred tax	1,345	(723)	1,763	-
	<b>20,039</b>	<b>18,740</b>	<b>4,033</b>	<b>25,675</b>
(Over)/underprovision in preceding financial years				
- taxation	(2,129)	682	367	-
- deferred tax	800	-	800	-
	<b>18,710</b>	<b>19,422</b>	<b>5,200</b>	<b>25,675</b>

## 17. Taxation (continued)

### (b) Tax Reconciliation

The income tax expense on the results for the financial year varies from the amount of income tax determined by applying the Singapore standard rate of income tax to profit before taxation due to the following factors:

	<u>The Group</u>		<u>The Company</u>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Profit before tax and share of results of joint-venture	<b>77,097</b>	68,896	<b>11,752</b>	102,610
Tax calculated at a tax rate of 22% (2001: 24.5%)	<b>16,961</b>	16,880	<b>2,585</b>	25,139
Singapore statutory income exemption	<b>(90)</b>	(96)	<b>(13)</b>	(13)
Effect of different tax rates on income	<b>(46)</b>	-	-	738
Income not subject to tax	<b>(1,415)</b>	(221)	-	(979)
Expenses not deductible for tax purposes	<b>2,179</b>	1,002	<b>1,461</b>	790
Differences not agreed with income tax authority	<b>435</b>	-	-	-
Deferred tax asset not recognised	<b>2,015</b>	1,175	-	-
	<b>20,039</b>	18,740	<b>4,033</b>	25,675

### (c) Movements in Provision for Taxation

	<u>The Group</u>		<u>The Company</u>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Balance at the beginning of the financial year	<b>22,301</b>	37,541	<b>1,228</b>	2,034
Income tax recovered/(paid)	<b>(17,385)</b>	(36,056)	<b>95</b>	(26,481)
Current financial year's tax expense on profit	<b>18,694</b>	19,463	<b>2,270</b>	25,675
(Over)/underprovision in preceding financial years	<b>(2,129)</b>	682	<b>367</b>	-
Transfer (to)/from deferred tax liabilities	<b>(2,020)</b>	467	<b>(1,841)</b>	-
Tax on income from fidelity fund	<b>134</b>	204	-	-
Balance at the end of the financial year	<b>19,595</b>	22,301	<b>2,119</b>	1,228

### (d) Composition of Deferred Tax Liabilities

Deferred tax liabilities comprise the estimated expense at current income tax rates on the following items:

	<u>The Group</u>		<u>The Company</u>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	<b>4,663</b>	2,362	<b>2,125</b>	-
Other differences	<b>1,864</b>	-	<b>2,279</b>	-
	<b>6,527</b>	2,362	<b>4,404</b>	-

## 17. Taxation (continued)

### (e) Movements in Deferred Tax Liabilities

	<u>The Group</u>		<u>The Company</u>	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Balance at the beginning of the financial year	2,362	3,552	-	-
Charged/(credited) to income statement	1,345	(723)	1,763	-
Transfer (to)/from provision for taxation	2,020	(467)	1,841	-
Underprovision in preceding financial years	800	-	800	-
Balance at the end of the financial year	<b>6,527</b>	2,362	<b>4,404</b>	-

### (f) Exempt Income from Derivatives Subsidiaries

Under the Income Tax (Exemption of Income of futures market of the Singapore Exchange) Rules 2002 enacted on 3 April 2002, the income of the derivatives subsidiaries as set out in the First and Second Schedules of the said rules is exempt from tax till 31 December 2003.

As at 30 June 2002, the derivatives subsidiaries' unutilised capital allowances amounted to \$22,917,000. Deferred tax assets have not been established on these unutilised capital allowances as the tax benefits cannot be reasonably ascertained in view of the uncertainty of the tax exemption status of these subsidiaries' income on derivatives in the foreseeable future.

## 18. Earnings Per Share

	<u>The Group</u>	
	2002 \$'000	2001 \$'000
Profit after tax and minority interests	<b>60,906</b>	49,025
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	<b>1,000,000</b>	757,477
Adjustment for assumed conversion of share options ('000)	<b>971</b>	1,206
Weighted average number of ordinary shares for diluted earnings per share ('000)	<b>1,000,971</b>	758,683

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.

For purposes of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. A calculation is done to determine the number of shares that could have been acquired at market price (determined as the average annual share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options to determine the bonus element. Bonus shares are added to the number of ordinary shares outstanding but no adjustment is made to profit after tax attributable to shareholders of Singapore Exchange Limited.

## 19. Directors and Employees Information

### (a) Employees Remuneration

	<u>The Group</u>		<u>The Company</u>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Salary and wages	<b>65,915</b>	54,841	<b>39,141</b>	34,799
Employer's contribution to Central Provident Fund	<b>8,850</b>	7,674	<b>5,202</b>	4,748
	<b>74,765</b>	62,515	<b>44,343</b>	39,547

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

- (b) The number of employees in the Group as at 30 June 2002 was 840 (2001: 813), including 79 (2001: nil) employees of Asia Converge Pte Ltd.

### (c) Remuneration of Executives

The table below shows the ranges of gross remuneration received by the top 5 executives (excluding executive directors) of the Group.

	<b>2002</b>	2001
Number of executives of the Group in remuneration bands:		
\$850,000 and above	-	-
\$700,000 to \$849,999	<b>1</b>	2
\$550,000 to \$699,999	<b>2</b>	1
\$400,000 to \$549,999	<b>2</b>	1
\$250,000 to \$399,999	-	1
Less than \$250,000	-	-
Total	<b>5</b>	5

### (d) Remuneration of Directors

	<u>The Group</u>		<u>The Company</u>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Directors' fees				
- of the Company	<b>286</b>	308	<b>286</b>	308
Directors' remuneration				
- of the Company	<b>3,532</b>	3,772	<b>3,532</b>	3,772
- of the subsidiaries	<b>2,212</b>	1,849	-	-
	<b>6,030</b>	5,929	<b>3,818</b>	4,080

### (e) Gross Remuneration

The gross remuneration disclosed above is computed based on gross salaries, bonus paid in respect of prior year performance and other benefits received during the financial year.

## 20. Dividends

	<u>The Group and The Company</u>	
	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
Interim gross dividends of 2.904 cents per share net of tax at 22% paid (2001: 3 cents net of tax at 24.5%)	<b>22,650</b>	22,650
Proposed final gross dividends of 4.396 cents per share net of tax at 22% (2001: 4.3 cents net of tax at 24.5%)	<b>34,290</b>	32,465
	<b>56,940</b>	55,115

The Group and the Company adopted SAS 31 during the financial year. In accordance with SAS 31 which disallows recognition of dividends as liabilities at the balance sheet date unless they are declared payable, the proposed final dividends were not reflected in their financial statements. The adoption of SAS 31 has no impact on the results of the Group and the Company for both the financial years 2002 and 2001. The effect on the balance sheet as at 30 June 2001 is that the proposed dividends and reserves are reduced and increased by \$32,465,000 respectively.

The interim gross dividend for the current financial year has been regrossed to reflect the revised corporate tax rate of 22% in respect of income earned in 2002 (year of assessment 2003).

## 21. Segment Information

<u>2002</u>	Securities <u>Market</u> \$'000	Derivatives <u>Market</u> \$'000	Other <u>Operations</u> \$'000	The <u>Group</u> \$'000
<b>SEGMENT REVENUE</b>				
External revenue	154,239	58,934	15,310	228,483
Inter-segment revenue	1,927	2,180	81,703	85,810
	156,166	61,114	97,013	314,293
Less: Consolidation elimination	(1,927)	(2,180)	(81,703)	(85,810)
	154,239	58,934	15,310	228,483
<b>RESULTS</b>				
Segment results	84,146	10,530	2,993	97,669
Unallocated costs				(40,679)
Operating profit before tax				56,990
Interest income and other non-operating income				20,107
Share of results of joint-venture	(123)	-	-	(123)
Income taxes				(18,710)
Minority interests				2,642
Net profit				60,906
<b>OTHER INFORMATION</b>				
Segment assets	712,200	1,751,630	18,608	2,482,438
Unallocated assets				321,410
Consolidated total assets				2,803,848
Segment liabilities	312,740	1,550,432	5,748	1,868,920
Unallocated liabilities				45,164
Consolidated total liabilities				1,914,084
Capital expenditure				
- Allocated	3,641	1,016	3,799	8,456
- Unallocated				19,494
				27,950
Depreciation				
- Allocated	8,747	5,238	866	14,851
- Unallocated				8,670
				23,521

## 21. Segment Information (continued)

<u>2001</u>	Securities <u>Market</u> \$'000	Derivatives <u>Market</u> \$'000	Other <u>Operations</u> \$'000	The <u>Group</u> \$'000
<b>SEGMENT REVENUE</b>				
External revenue	148,345	55,435	13,239	217,019
Inter-segment revenue	26	1,330	183,650	185,006
	148,371	56,765	196,889	402,025
Less: Consolidation elimination	(26)	(1,330)	(183,650)	(185,006)
	148,345	55,435	13,239	217,019
<b>RESULTS</b>				
Segment results	83,023	9,535	4,238	96,796
Unallocated costs				(24,422)
Operating profit before tax				72,374
Interest income and other non-operating income				(3,478)
Share of results of joint-venture	(449)	-	-	(449)
Income taxes				(19,422)
Net profit				49,025
<b>OTHER INFORMATION</b>				
Segment assets	673,437	2,064,103	8,440	2,745,980
Unallocated assets				362,806
Consolidated total assets				3,108,786
Segment liabilities	324,059	1,863,358	2,494	2,189,911
Unallocated liabilities				36,839
Consolidated total liabilities				2,226,750
Capital expenditure				
- Properties under development	73,460	48,657	-	122,117
- Allocated	10,106	1,074	527	11,707
- Unallocated				11,606
				145,430
Depreciation				
- Allocated	7,226	5,100	163	12,489
- Unallocated				7,227
				19,716

The Group operates mainly in Singapore, with one marketing office in the United States of America.

## 21. Segment Information (continued)

### Business Segments

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 ancillary securities processing and information technology services to financial sector participants, and investment activities.

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 margin funds and deposits, securities clearing funds, property, plant and equipment, operating cash, debtors and investments.

Segment liabilities comprise mainly margin funds and deposits, securities clearing funds, creditors and amount due to third parties. Capital expenditure comprises additions to property, plant and equipment.

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.

## 22. Common Bond System

The rules of the derivatives clearing subsidiary, 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 \$68,000,000 from the Company and surplus funds of SGX-DC which are in excess of funds necessary for normal operations;
- (c) up to one half of the SGX-DT Compensation Fund (formerly known as SIMEX Compensation Fund) established by SGX-DT (Note 23);
- (d) security deposits in equal amounts from each non-defaulting derivatives clearing member; and
- (e) further assessments on derivatives clearing members based on a formula that takes into consideration 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 adjusted net capital requirements).



## 23. SGX-DT Compensation Fund (formerly known as SIMEX Compensation Fund)

- (a) The SGX-DT Compensation Fund ("Fund") was established by SGX-DT for the primary purpose of providing compensation to SGX-DT, Singapore Exchange Derivatives Clearing Limited, 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 fund having objects sufficiently similar to the Fund, to SGX-DT or to such charitable institutions or other charitable objects.

	<u>The Group</u>	
	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
The assets of the Fund comprise:		
Fixed deposits	<b>22,589</b>	22,154
Bank balances	<b>203</b>	32
Quoted bonds, at cost	<b>6,999</b>	6,999
Government securities, at cost	<b>1,518</b>	1,523
Interest receivable	<b>151</b>	212
	<b>31,460</b>	30,920
The liabilities of the Fund comprise:		
Other creditors and accruals	<b>6</b>	2
Provision for taxation	<b>180</b>	169
Deferred tax liabilities	<b>38</b>	57
	<b>224</b>	228
<b>Net assets</b>	<b>31,236</b>	30,692

- (b) The Fund is not included in the Group's balance sheet as it is set up as a trust.

## 24. Commitments for Expenditure

### (a) Capital Commitments

Capital commitments not provided for in the financial statements are as follows:

	<u>The Group</u>		<u>The Company</u>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Expenditure contracted for				
- property, plant and equipment	<b>1,063</b>	3,300	<b>70</b>	136

## 24. Commitments for Expenditure (continued)

### (b) Lease Commitments

Commitments in relation to non-cancellable operating leases for building premises and computer equipment contracted for at the reporting date but not recognised as liabilities, are payable as follows:

	<u>The Group</u>		<u>The Company</u>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Not later than one financial year	<b>14,043</b>	22,664	<b>13,156</b>	13,419
Later than one financial year but not later than five financial years	<b>26,619</b>	38,668	<b>24,838</b>	36,526
Later than five financial years	-	27	-	-
	<b>40,662</b>	61,359	<b>37,994</b>	49,945

The above leases do not contain renewal options or purchase options. They do not contain escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

## 25. Contingent Liabilities

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

	<u>The Group</u>		<u>The Company</u>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Unsecured guarantees by the derivatives clearing subsidiary to banks for standby letters of credit issued by the banks to Chicago Mercantile Exchange and London Clearing House for members' open positions on these exchanges. These guarantees are supported by members' margin deposits as set out in Note 5.	<b>66,142</b>	82,082	-	-
Standby credit facility secured by the securities clearing subsidiary on behalf of the CDP clearing fund to be utilised to discharge liabilities of clearing members	<b>75,000</b>	75,000	-	-
Unsecured guarantees by the Company in respect of obligations of a subsidiary	<b>4,800</b>	-	<b>4,800</b>	-
	<b>145,942</b>	157,082	<b>4,800</b>	-

## 26. Related Party Transactions

Certain directors are also directors of securities broking or derivatives broking companies. 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.

## 27. Financial Instruments

### (a) Financial Derivatives Contracts

There were no net open positions as at 30 June 2002 (2001: nil).

### (b) Net Fair Values of Financial Assets and Liabilities

Quoted investments and amounts under fund management are valued at market value. Other financial assets and liabilities are carried at cost which approximate their fair values.

## 28. Authorisation of Financial Statements

These financial statements have been authorised for issue by the Board of Directors on 15 August 2002.

# Notice of Annual General Meeting and Notice of Books Closure Date

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of Singapore Exchange Limited will be held at The Pan Pacific Singapore, Ocean Rooms 2-5, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on 4 October 2002 at 10.00 a.m. to transact the following businesses:

## 1) As Ordinary Business

- |              |   |
|--------------|---|
| Resolution 1 | To receive and adopt the Directors' Report and the Audited Accounts for the year ended 30 June 2002 with the Auditors' Report thereon.  |
| Resolution 2 | 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:<br><br>a) Mr Goh Yew Lin<br>b) Mr Ho Tian Yee<br>c) Mr Victor Liew Cheng San<br>d) Mr Low Check Kian |
| Resolution 3 | To approve the amount of S\$285,800 proposed as Directors' fees.  |
| Resolution 4 | To declare a gross final dividend of S\$0.04396 per share less income tax of 22% for the financial year ended 30 June 2002.   |
| Resolution 5 | To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.  |

## 2) As Special Business

To consider, and if thought fit, to pass the following resolutions as ordinary resolutions:

- |              |   |
|--------------|---|
| Resolution 6 | That pursuant to Section 161 of the Companies Act, Chapter 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors to issue shares in the capital of the Company (whether by way of rights, bonus or otherwise) 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 provided that:<br><br>a) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (b) below); |
|--------------|---|

- b) notwithstanding the provisions of Article 8A(B)(a) of the Articles of Association of the Company, for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the percentage of issued share capital shall be calculated based on the maximum potential issued share capital of the Company as at the date of the passing of this Resolution (including all shares which may be issued upon the conversion or exercise of any convertible securities and share options that have been issued pursuant to any previous shareholder approval and which are outstanding as at the date of the passing of this Resolution), adjusted for any subsequent consolidation or subdivision of shares; and
- c) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

Resolution 7      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 15% of the total issued share capital of the Company from time to time.

### 3) To Transact Any Other Business

By Order Of The Board




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Joyce Fong Foong Chao (Ms)  
Company Secretary  
Singapore Exchange Limited  
Dated : 6 September 2002

## Statement Pursuant to Article 59 of the Company's Articles of Association

Resolution 6 is to empower the Directors to issue shares in the capital of the Company up to an amount not exceeding in total 50% of the issued share capital of the Company, with a sub-limit of 20% for shares issued other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital will be calculated based on the maximum potential issued share capital as at the date of the passing of the Resolution (including all shares which may be issued upon the conversion or exercise of any convertible securities and share options that have been issued pursuant to any previous shareholder approval and which are outstanding as at the date of the passing of the Resolution), adjusted for any subsequent consolidation or subdivision of shares. This calculation is in accordance with Listing Rule 806(3) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Resolution 7 is to empower the Directors to offer and grant options, and to issue 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, provided that the aggregate number of new shares to be issued shall not exceed 15% of the total issued share 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 Dividend Payment Date

The Company gives notice that the Register of Members and the Transfer Books of the Company will be closed from 10 October 2002 after 5.00 p.m. to 11 October 2002, both dates inclusive, for the preparation of dividend warrants. The Register of Members and the Transfer Books will re-open on 14 October 2002. Duly completed registered transfers of shares 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 10 October 2002, will be registered in the Register of Members and the Transfer Books of the Company to determine shareholders' entitlements to the proposed final dividend. In respect of shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the proposed final dividend will be paid by the Company to CDP which will in turn distribute the final dividend entitlements to the CDP account holders in accordance with its normal practice.

The proposed final dividend, if approved by the shareholders at the Annual General Meeting to be held on 4 October 2002, will be paid on 22 October 2002.

## Copies of Summary Annual Report and Annual Report

The Summary Annual Report will be sent to all shareholders on the Register as at the date of this Notice. The Annual Report will be sent to shareholders upon request and will be available on SGX's website [www.sgx.com](http://www.sgx.com)

### Note:

This Notice of AGM dated 6 September 2002 set out herein is for information purposes only. We have issued the Notice of AGM to the shareholders in accordance with Section 177(2) of the Companies Act (Chapter 50), together with our summary annual report.



# The Year's Achievements at a Glance

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## **WIDENED OUR PRODUCT RANGE**

Launched Single Stock Futures Contracts

Launched Securities Lending Programme

Launched streetTRACKS<sup>SM</sup> Straits Times Index Fund

Launched MSCI Japan Index Futures Contract

## **EXTENDED OUR GLOBAL REACH**

Announced Plans to Pursue a Strategic Alliance with the Tokyo Stock Exchange

Established Co-Trading Linkage with the Australian Stock Exchange

Launched Multi-Market Access for Derivatives Members

Formed Strategic Alliance with the Tokyo Commodity Exchange

## **ENHANCED OUR REGULATORY FRAMEWORK**

Enhanced Soundness of Securities Market with Automated Surveillance System

Announced Review of Securities Trading Rules and Bye-Laws

Implemented new Listing Manual

## **IMPROVED CUSTOMER SERVICE STANDARDS**

Introduced Central Depository Internet Access Service

## **ENHANCED OUR MARKET INFRASTRUCTURE**

Launched Phase Two of Straight-Through-Processing



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