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Group financial highlights

In Singapore dollars

	FY2003	FY2002
For the Year (in \$ million)		
Operating Revenue	219	229
Operating Expenses	166	171
EBITDA, before Exceptional Item ⁽¹⁾	100	101
Operating Profit	52	57
Non-Operating Revenue	25	20
Net Profit after Tax and Minority Interests, before Exceptional Item	66	61
Net Profit after Tax and Minority Interests, after Exceptional Item	16	61
At Year-End (in \$ million)		
Net Current Assets	585	566
Total Assets	1,178	1,220
Total Liabilities	378	382
Shareholders' Funds	799	837
Shares Issued (in million)	1,003	1,000
For the Year		
Revenue Growth	(4.5%)	5.4%
Operating Profit Margin ⁽²⁾	31.7%	28.9%
Cost-to-Income Ratio ⁽³⁾	68.3%	71.1%
Net Profit Margin ⁽⁴⁾	32.6%	27.3%
Return on Shareholders' Funds ⁽⁴⁾	9.2%	8.0%
Per Share Data		
Gross Ordinary Dividend (in cents)	6.5	7.3
Gross Yield	4.7%	6.3%
Special Gross Dividend (in cents)	34.0	–
Basic Earnings per Share (in cents)		
- Before Exceptional Item	6.60	6.09
- After Exceptional Item	1.60	6.09
Net Tangible Assets (in cents)	79.69	83.66
Average Share Price (in \$)	1.22	1.19
Share Price at Year-End (in \$)	1.37	1.16

Notes:

⁽¹⁾ Exceptional item represents \$50 million impairment loss on properties

⁽²⁾ Excludes non-recurring items

⁽³⁾ Ratio of Operating Expenses to Operating Revenue, excluding non-recurring items

⁽⁴⁾ Excludes non-recurring items and exceptional item



SINGAPORE

EXCHANGE

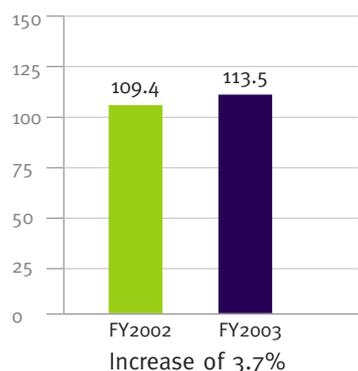
Performance highlights

In Singapore dollars

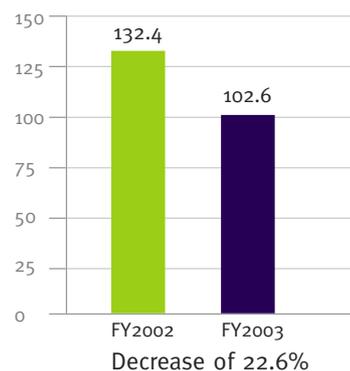
Securities market

Performance in FY2003 compared to FY2002

Trading volume (billions of shares)



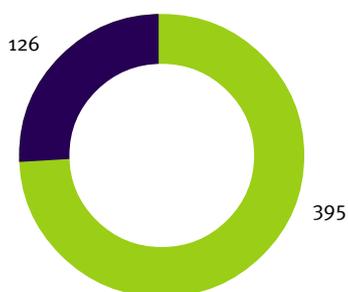
Turnover value (billion)



Listed companies and market capitalisation (as at 30 June 2003)

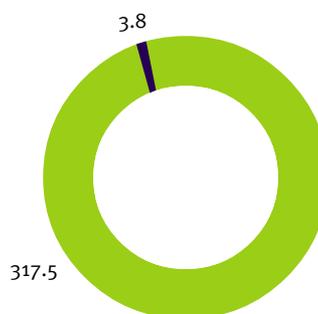
No. of companies: 521

■ SGX Mainboard ■ SGX Sesdaq



Market capitalisation: \$321.3 billion

■ SGX Mainboard ■ SGX Sesdaq



New listings in FY2003

Number : 45
Amount raised : \$2.7 billion

Accounts held with The Central Depository (as at 30 June 2003)

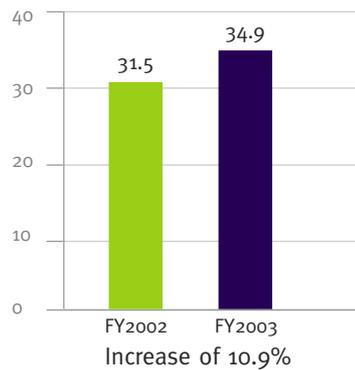
No. of accounts : 1.2 million
No. of securities in accounts : 230.87 billion
Value of securities in accounts : \$195.45 billion



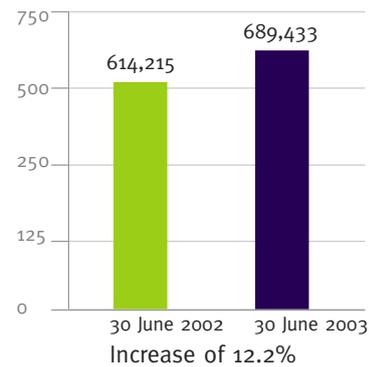
Derivatives market

Performance in FY2003 compared to FY2002

Trading volume (millions of contracts)

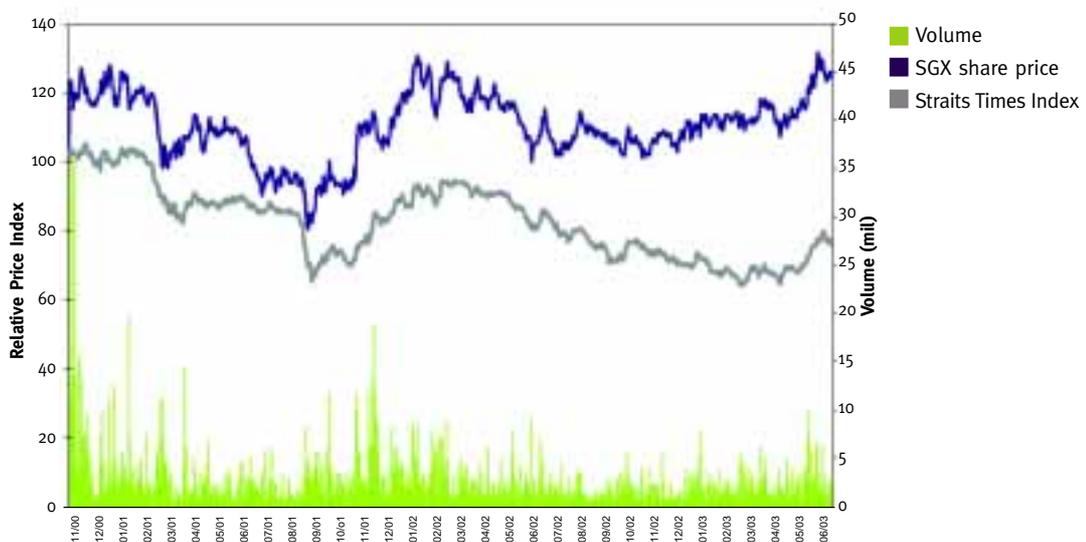


Open interest



No. of derivatives contracts	FY2003	FY2002	
Eurodollar Futures	20,674,239	18,345,516	Increase of 12.7%
Nikkei 225 Index Futures	5,768,830	4,617,916	Increase of 24.9%
MSCI Taiwan Index Futures	4,984,685	4,270,925	Increase of 16.7%
Euroyen TIBOR Futures	1,341,607	2,192,341	Decrease of 38.8%
MSCI Singapore Index Futures	875,776	559,381	Increase of 56.6%

SGX share performance



Highlights of the year

1 July 2002

Introduced new listing manual, which included key amendments designed to simplify obligations on listed issuers while retaining essential requirements for a fair and orderly market.

Launched market data feed system, called SGX SecuritiesBook, which provided investors with access to up to 50 levels of bid and offer prices of stocks traded on SGX.

19 September 2002

Completed Phase One of Straight-Through-Processing which included the design of the business and technical architecture.

28 October 2002

Trading operations commenced at SGX's Global Electronic Trading Centre.

1 November 2002

Began posting of all written queries issued to listed companies on unusual price and/or volume activities on MASNET.

12 November 2002

Launched US\$-denominated SGX Middle East Crude Oil Futures contract on our derivatives market's Electronic Trading System.

13 December 2002

Announced plans to cooperate with Shanghai Stock Exchange.

10 January 2003

Launched a Collateral Submission Management and Optimisation System, COSMOS, which allows clearing members to submit requests for movements of collaterals in their accounts electronically.

15 January 2003

Introduced open dated lending, as part of SGX's securities lending programme, where securities borrowed can be held for an undefined period subject to recall by The Central Depository.



22 January 2003

Introduced separate membership categories for securities trading and clearing, allowing members the choice of business models and an ability to comply with significantly lower capital requirements.

1 March 2003

Mr Hsieh Fu Hua joined SGX as CEO.

31 March 2003

Increased stocks available for trading via the SGX-ASX co-trading link to about 100 on each exchange.

14 April 2003

Introduced a unit share market which allowed trading of odd lots with a minimum size of one share.

5 May 2003

Announced that we were restructuring our operations to serve our customers better.

8 May 2003

Reached agreement with Nihon Keizai Shimbun, giving us the option to trade the Nikkei Futures and Options on our Electronic Trading System from 7am to 7pm Singapore time.

2 June 2003

Mr Seck Wai Kwong joined SGX as Chief Financial Officer.

23 June 2003

Established S\$7.5 million pool of funds, for raising investor awareness of Singapore's securities and derivatives markets and the training of industry professionals, jointly with the Monetary Authority of Singapore.



Growing our company

LEE HSIEN YANG
President and CEO
SingTel

“ The SGX-ASX link has
given us direct exposure to a
wider investor base. ”

Chairman's message

The year under review has been an eventful one, with the entry of a new CEO, Hsieh Fu Hua, in March 2003.

Mr Hsieh recognises the board's desire that the organisation be strengthened to fulfil its goals of effectively serving its several constituencies. He has proceeded briskly to restructure the organisation, set clear objectives, and improve the management and development of our people. The changes in progress should result in superior coordination and teamwork, leading to a higher standard and quality of service to our customers at reasonable prices.

In November 1999, SGX was launched through the merger and demutualisation of its legacy exchanges, the Stock Exchange of Singapore (SES) and the Singapore International Monetary Exchange (SIMEX). An IPO and listing followed a year later. The underlying logic was to enable the new organisation to participate vigorously in the brave new world of exchanges and capital markets. Alliances could be formed, acquisitions made, and the application of technology widened to provide seamless trading and clearing of securities and derivatives of diverse origin through Singapore. Those cherished aims have by no means been set aside. Rather, in the sober light of experience, SGX has decided to stretch out the timetable for realisation of those goals.

Two pre-conditions are essential. First, there must be recognition on the part of jurisdictions and exchanges, in the region and elsewhere, of the benefits to be derived from closer regional and global cooperation. Second, our organisation has to be strengthened and structured to take advantage of opportunities that arise. We are now actively engaged in boosting the capability of the organisation. We shall be better equipped to seize opportunities as they arise and as other jurisdictions and exchanges see merit in closer cooperation.

In light of the dearth of meaningful opportunities to deploy our surplus cash, the board has decided on a return to shareholders of about S\$300 million in the form of a special dividend and our normal final dividend.

On the business side, trading in securities was anaemic for most of the year, turning up only in the last quarter, in tandem with a rise in stock indices in Singapore and elsewhere. Derivatives trading showed reasonable growth, of about ten per cent. Clearly our task is to extend the range of products and services that the market wants or can be encouraged to use. Inevitably, some initiatives will fall by the wayside. The art lies in not flooding the market with a welter of products and services that confuse it and that may dilute focus on the more promising elements.



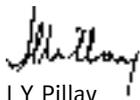
We shall also have to be more imaginative in the processing and the distribution of our data-feed information to increase revenues. More generally, we shall be keeping a close watch on activities other than those related to trading and clearing. Those activities now account for a relatively small fraction of our revenue. Our aim is to boost that share, as well as the share of new products and services in the trading and clearing areas. That way, perhaps, we may be able to ameliorate the impact of the inherent volatility in markets.

We were quite successful in reducing costs of our basic operations, and in increasing income from our bond holdings. However, one-off costs related to the slimming down of the organisation, the transfer of the routine brokerage-inspection function to the MAS, and the increased provisioning for the unused space in our former premises, have contributed to a rise in expenditure. Still, we managed to eke out a small rise in net profit, from S\$60.9 million to S\$66.0 million, before a write-down of S\$50.0 million for properties. There is now a mood of confidence in the organisation that should result in superior effort and, we hope, improved results.

This year, for the first time since our formation some four years ago, three directors will be stepping down from the board. They are Messrs George Teo, Hidetoshi Mine, and Robert Stein. They have served SGX with distinction during our formative years, and have contributed to enhancing the reputation and growth of the exchange. I would like to thank them for their valuable services.

The process of renewal of the board will be a continuous one. In December 2002, we welcomed Mr Tang Wee Loke to the board. At the AGM, the board will be presenting three new candidates for election. They are Messrs Ng Kee Choe, Geoffrey Wong, and Loh Boon Chye.

It remains for me to thank my colleagues on the board for their unstinting support and service; the CEO and all our people for their untiring efforts in a difficult environment; and our several constituencies that have cooperated with us, and to whom I give the assurance of SGX that we shall respect their interests and work together with them for mutual benefit.



J Y Pillay
Chairman
11 September 2003

CEO's message

It has been six months since our Chairman Mr Pillay and the board entrusted me to help build SGX. I am pleased to report that with their guidance, the Executive Committee (Exco) and I are laying the foundation for the business.

The theme of this year's annual report – growing from the core – describes the road we are taking. Two things guide us on this road. One, the recognition that we must run the business with discipline and a clear focus. Two, the recognition that at the heart of the organisation are our people, and at the core of our business, our customers.

We first defined our business as operating a market for the trading and clearing of securities and derivatives products. From there, we identified our customers and partners - issuers, institutions, traders, intermediaries, and individual investors.

The organisation was then restructured to address the needs of these constituents. Dedicated teams have been put in place to serve each customer group. Functions have also been streamlined and duplications removed to enable us to act more efficiently and as one organisation.

Moving ahead, we will defend and grow our core business of operating a securities and derivatives market. We will address efficiency, costs and capital management. We will then expand within our line of sight, that is to grow with a focus on new areas that contribute to the development of our existing business.

Given our reputation for innovation, we will continue our product development efforts but prioritise and focus on selected products such as Real Estate Investment Trusts, and data and information services. We will continue to attract new listings, especially from foreign companies and growth companies, both local and regional. We will also launch an equity options market which will boost the underlying market by providing additional hedging and trading opportunities. Offerings of our international derivatives products will be further improved. This includes the introduction of electronic trading of our Nikkei 225 Futures and Options during the main trading hours. On the technology front, we are acquiring an integrated trading platform to provide our members streamlined access to a wider range of products and increased trading capabilities. This platform will enhance access to our marketplace as we continue to develop alliances with other exchanges.



Our new structure and strategy are not extraordinary. They are simply based on the fundamentals of teamwork and customer focus. What is critical is how well we execute to satisfy our customer needs and perform for our shareholders. Thus we are challenged to infuse our people with a passion for teamwork, service and performance.

The Exco and I thank our Chairman and the board for their leadership, our customers and partners for their ongoing support, our shareholders for their commitment, and our staff for their dedication.



Hsieh Fu Hua
Chief Executive Officer
11 September 2003

Board of directors



MR 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 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, as member of the Council of Presidential Advisers of the Republic of Singapore, as Chairman of the Assisi Home and Hospice, as director of the Mount Alvernia Hospital, as member of the Temasek Advisory Panel of the Temasek Holdings (Private) Limited and, as member of the Presidential Council for Minority Rights. Mr Pillay has held a variety of positions in the government of Singapore (1961-1995), rising to permanent secretary in 1972. He served in the ministries of finance, defence and national development. Between 1985 and 1989, Mr Pillay was the Managing Director of the MAS and of the Government of Singapore Investment Corporation. He was High Commissioner to the United Kingdom from 1996 to 1999. Mr Pillay has served, in a non-executive capacity, as chairman of the board of several government-linked companies: Singapore Airlines Ltd (1972-1996), Temasek Holdings (Private) Limited (1974-1986), Development Bank of Singapore Ltd (1979-1984) and Singapore Technologies Holdings (Private) Limited (1991-1994). He served as Chairman of the International Advisory Panel of the MAS from 1999 to 2000. 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.

Mr Pillay was last re-elected as a director at SGX's Annual General Meeting on 26 September 2001.



MR HSIEH FU HUA

Chief Executive Officer
Singapore Exchange Limited

Mr Hsieh Fu Hua has served as an executive and non-independent director on the SGX Board since 1 March 2003. Mr Hsieh became the Chief Executive Officer of the Singapore Exchange Limited (SGX) on 1 March 2003. Prior to this, he was Managing Partner of PrimePartners which is an independent

private equity firm based in Singapore. Mr Hsieh has nearly 30 years of experience in merchant banking in Asia. He was Group Managing Director of BNP Equities Asia in Hong Kong and also BNP Prime Peregrine Group (the joint venture Asian investment banking arm of BNP founded by PrimePartners). Prior to forming PrimePartners in 1993, he was Chief Executive of Morgan Grenfell Asia Holdings Pte Ltd which he joined in 1974. He is Chairman of the Singapore Institute of Management (SIM) as well as a member of the National University of Singapore (NUS) Council. He graduated in 1974 from the University of Singapore with an honours in Business Administration.



MR 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 late 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.

Mr Gnodde was last re-elected as a director at SGX's Annual General Meeting on 26 September 2001.



MR 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 Singapore Symphonia Company Ltd, the Nanyang Academy of Fine Arts, and chairs the Singapore Conservatory of Music Governing Board. Mr Goh graduated from the Wharton School, University of Pennsylvania, with a Bachelor of Science degree in Economics.

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



MR HO TIAN YEE

Managing 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 Managing 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 and Singapore Power Ltd. He is also a member of the SAF SAVER-Premium Board of Trustees. Mr Ho holds a Bachelor of Economics (Honours) from Portsmouth University in the United Kingdom.

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



MR VICTOR LIEW CHENG SAN

Corporate Advisor to 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. 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 2000-2001. He graduated from the University of Singapore in 1973 with a degree of Bachelor of Social Sciences with Honours.

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



MR LOW CHECK KIAN

Mr Low has served as an independent director on the SGX Board since 20 July 2000. Mr Low was previously the Chairman of Merrill Lynch Asia Pacific, and was their Head of Equities for Asia Pacific, Japan and Australia. Mr Low also sits on the boards of the Singapore Workforce Development Agency, 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.

Mr Low graduated from the London School of Economics (LSE) with a B.Sc. (Econ)(First Class Honours) in June 1983 and a M.Sc. (Econ) in June 1984. During his stay at the LSE, he was awarded the Allan Young Prize, the Baxter-Edey Award and the Henry Luce Foundation Award.

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



MR 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.

Mr Hidetoshi was last re-elected as a director at SGX's Annual General Meeting on 11 December 2000.



MR ROBERT STEIN

Chairman
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 funds and technology companies, such as Frontline Technologies Corporation Ltd, and Focus Ventures II USA. 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.

Mr Stein was last re-elected as a director at SGX's Annual General Meeting on 11 December 2000.



MR TANG WEE LOKE

Deputy Managing Director
UOB Kay Hian Pte Ltd

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



MR GEORGE TEO ENG KIM

Executive Chairman
J. M. Sassoon & Co. (Pte) Ltd.

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 Managing Director of the Sassoon Group of Companies since 1986. 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.).

Mr Teo was last re-elected as a director at SGX's Annual General Meeting on 26 September 2001.



MR 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 Group 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, International Enterprise Singapore and Economic Development Board. 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.

Mr Wong was last re-elected as a director at SGX's Annual General Meeting on 26 September 2001.



Present and past directorships of public companies and major appointments

Name of director	Present directorships	Past directorships held in the last 3 years
Mr Joseph Yuvaraj Pillay	<ul style="list-style-type: none"> • Singapore Exchange Securities Trading Limited • Singapore Exchange Derivatives Trading Limited • The Central Depository (Pte) Limited • Singapore Exchange Derivatives Clearing Limited • Singapore Indian Development Association (Life Trustee) • Commonwealth Africa Investments Limited (Chairman) • Investment Committee of the United Nations Pension Fund (Member) • Asia-Europe Foundation (Member, Board of Governors) • Financial Sector Development Fund Advisory Committee of the Monetary Authority of Singapore (Member) • SEL Holdings Pte Ltd • Council of Presidential Advisers of the Republic of Singapore (Member) • Council on Corporate Disclosure and Governance (Chairman) • Assisi Home & Hospice (Chairman) • Mount Alvernia Hospital • Temasek Advisory Panel of the Temasek Holdings (Private) Limited (Member) • Presidential Council for Minority Rights (Member) 	<ul style="list-style-type: none"> • Oversea-Chinese Banking Corporation Limited • Keppel Capital Holdings Ltd • KTB Limited (formerly known as Keppel Tatlee Bank Limited) • Asia Converge Pte Ltd (Chairman)
Mr Hsieh Fu Hua	<ul style="list-style-type: none"> • Singapore Exchange Securities Trading Limited • SGXLink Pte Ltd • Singapore Exchange Derivatives Trading Limited • Singapore Exchange Derivatives Clearing Limited • The Central Depository (Pte) Limited • National University of Singapore (Council-member) • Singapore Technologies Endowment Programme Limited • PrimeFounders Inc. • PrimePartners Assets Inc. • Hogarth Limited • Binjai Inc. 	<ul style="list-style-type: none"> • Wywy Office Solutions Pte Ltd • PT Tunas Baru Lampung TBK • HBM Print Ltd • ECS Holdings Limited • United Pacific Industries Limited (formerly All Pantronic Holdings Limited) • CapitaLand Limited (formerly Pidemco Land Limited) • Nylex (M) Bhd • The East Asiatic Company Ltd. A/S, Copenhagen
Mr Hidetoshi Mine	<ul style="list-style-type: none"> • ORIX Corporation (Managing Director) • Alpha Purchase Co., Ltd. • Zentek Technology Singapore Pte. Ltd. • AsMedix Co., Ltd. (Chairman) • O.S.L. Corporation 	<ul style="list-style-type: none"> • Tokyo Mitsubishi International Singapore • Bank of Tokyo International Hong Kong • Zentek Technology Japan, Inc

Name of director	Present directorships	Past directorships held in the last 3 years
Mr Low Check Kian	<ul style="list-style-type: none"> • Infocomm Development Authority of Singapore • Infocomm Investments Pte Ltd (Chairman) • Singapore Art Museum (Member) [under the National Heritage Board] • Singapore Workforce Development Agency (under the Ministry of Manpower) 	<ul style="list-style-type: none"> • Merrill Lynch Securities Philippines Inc. • Merrill Lynch Phatra Securities Co. Ltd. • DSP Merrill Lynch Investment Managers Ltd. • DSP Merrill Lynch Limited • Merrill Lynch (Singapore) Pte. Ltd. (CEO) • Merrill Lynch Asia Pacific (Chairman) • Merrill Lynch (Singapore) Nominees Pte Ltd • PT Merrill Lynch Indonesia (Commissioner, Board of Commissioners) • Smith Zain (Malaysia) Sdn Bhd (Alternate Non-Executive Director)
Mr Goh Yew Lin	<ul style="list-style-type: none"> • G. K. Goh Holdings Limited • G. K. Goh Stockbrokers Pte Ltd • G. K. Goh Research Pte Ltd • GKG Investment Holdings Pte Ltd • Singapore Symphonia Company Ltd • Boyer Allan Pacific Fund Inc • Singapore Conservatory of Music Governing Board (Chairman) • Appeal Advisory Panel# (Member) • Nanyang Academy of Fine Arts (Council member) <p># Constituted under the Securities and Futures Act (SFA), Financial Advisers Act (FAA) and Insurance Act (IA)</p>	<ul style="list-style-type: none"> • National Arts Council (Non-Executive Director)
Mr Richard Gnodde	<ul style="list-style-type: none"> • Goldman Sachs (Asia) L.L.C. (President, Managing Director) • Goldman Sachs (Asia Pacific) L.L.C. • Goldman Sachs (Asia) Securities Limited • Goldman Sachs (Asia) Finance • Goldman Sachs Futures (Asia) Limited • Goldman Sachs (China) L.L.C. • Goldman Sachs (India) L.L.C. • Goldman Sachs (India) Pvt. Limited • Goldman Sachs (Mauritius) L.L.C. • Goldman Sachs (Japan) Ltd. • Kotak Mahindra Capital Company Limited • Hull Trading Asia Ltd 	<ul style="list-style-type: none"> • The Goldman Sachs & Co L.L.C. • The J. Aron Corporation • Goldman Sachs Australia Pty Limited • Goldman Sachs Australia Nominees Pty Limited • Goldman Sachs Australia Metals • Goldman Sachs Australia Securities Pty Limited
Mr Robert Stein	<ul style="list-style-type: none"> • Adelphi Capital Partners Pte Ltd (Chairman) • Frontline Technologies Corporation Ltd, Singapore/Hong Kong • Focus Ventures Investors II, LP (renamed from CGC) (Limited Partner & Advisory Board Member) 	<ul style="list-style-type: none"> • Deutsche Asia Pacific Holdings Pte Ltd (CEO) • E-Millennium Limited, Singapore/Hong Kong

Name of director	Present directorships	Past directorships held in the last 3 years
Mr George Teo Eng Kim	<ul style="list-style-type: none"> • Singapore Exchange Securities Trading Limited • The Central Depository (Pte) Limited • Sassoon Holdings Pte Ltd (Group Managing Director) • J.M. Sassoon & Co. (Pte) Ltd. (Executive Chairman) • Sassoon Financial Futures Pte Ltd (Chairman) • Hansberger Global Inc. – USA 	<ul style="list-style-type: none"> • Singapore Turf Club (Member of Management Committee) • NASD International U.S.A (International Markets Advisory Board) • P.T. Sassoon Securities Indonesia (President Commissioner) • P.T. Sassoon Wushen Kedaung (Commissioner) • Singapore Society of Financial Analysts
Mr Ho Tian Yee	<ul style="list-style-type: none"> • Pacific Asset Management (S) Pte Ltd • Fraser and Neave, Ltd • Great Eastern Holdings Ltd • Singapore Power Limited 	<ul style="list-style-type: none"> • Singapore MRT Ltd
Mr Victor Liew	<ul style="list-style-type: none"> • CapitaLand Financial Ltd • Nexgen Re Limited • Nexgen Financial Holdings Limited • ST Treasury Services Ltd • Appeal Advisory Panel*(Member) <p>* constituted under the Securities & Futures Act (SFA), Financial Advisers Act (FAA) and Insurance Act (IA)</p>	<ul style="list-style-type: none"> • Singapore Commodity Exchange Ltd (Chairman) • Singapore International Monetary Exchange Ltd (Chairman/Director)
Mr Wong Ngit Liong	<ul style="list-style-type: none"> • Venture Corporation Limited • SIA Engineering Company Ltd • Economic Development Board (Singapore) • International Enterprise Singapore 	<ul style="list-style-type: none"> • Keppel Tatlee Bank Limited • Keppel Capital Holdings Ltd • k1 Ventures Limited
Mr Tang Wee Loke	<ul style="list-style-type: none"> • UOB-Kay Hian Holdings Limited • UOB Kay Hian Private Limited 	<ul style="list-style-type: none"> • Stock Exchange of Singapore Limited • Securities Clearing and Computer Services (Pte) Limited

Proposed directors



MR LOH BOON CHYE

Head Of Global Markets, Asia
Deutsche Bank AG, Singapore

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



MR NG KEE CHOE

Senior Adviser
DBS Bank

Mr Ng is Senior Adviser to the CEO of DBS Bank. He assumed the position on 1 July 2003 following his retirement as Vice Chairman of DBS Group Holdings on 30 June 2003. A career DBS banker, Mr Ng joined DBS in 1970, and has since held various senior positions during his tenure. He was Executive Vice President in 1988, Deputy President in 1994, President and Chief Operating Officer in 1997 and Vice Chairman of DBS Bank in 2001. Prior to joining DBS, he was with the Singapore Government as a civil servant from 1967 to 1970. Mr Ng is Chairman of Singapore Power Limited, a Director of Singapore Airport Terminal Services, Wing Lung Bank and also a Governor of the Singapore International Foundation. He is also a member of the Temasek Advisory Panel and the Advisory Council of China Development Bank. A citizen of the Republic of Singapore, Mr Ng holds a Bachelor of Science (Hons) degree from the University of Singapore. He was awarded the Public Service Star Award in August 2001.



MR GEOFFREY WONG

Managing Director
UBS Global Asset Management

Mr Wong is currently Managing Director at UBS Global Asset Management, where he heads the global emerging markets and Asia ex Japan equity teams. He is also an executive director of UBS

Global Asset Management (Singapore) Ltd. Prior to joining UBS in 1997, Mr Wong worked at Koeneman Capital Management. He has been in the fund management industry since 1989. Mr Wong graduated from the Massachusetts Institute of Technology with Master of Science and Bachelor of Science degrees in Electrical Engineering and Computer Science. He also holds a Master of Science degree in Management from the Sloan School of Management, MIT.

Present and past directorships of public companies and major appointments

Name of director	Present directorships	Past directorships held in the last 3 years
Mr Loh Boon Chye	<ul style="list-style-type: none"> BondsInAsia Limited BondsInAsia (Singapore) Pte Ltd Deutsche Bank Intl Asia Ltd Deutsche Securities (India) Pte Ltd 	Nil
Mr Ng Kee Choe	<ul style="list-style-type: none"> Singapore Power Ltd Singapore Airport Terminal Services Ltd Wing Lung Bank Ltd Singapore International Foundation (Governor) Temasek Advisory Panel of Temasek Holdings (Private) Limited 	<ul style="list-style-type: none"> DBS Bank Ltd DBS Group Holdings Ltd
Mr Geoffrey Wong	<ul style="list-style-type: none"> UBS Global Asset Management (Singapore) Ltd 	Nil

Executive committee



MR HSIEH FU HUA

MR ANG SWEE TIAN

MR CHEW HONG GIAN

MR PETER CHIA

MR HSIEH FU HUA

Chief Executive Officer

See page 14

MR ANG SWEE TIAN

President

Mr Ang Swee Tian is the President of SGX. Apart from sitting on the Exchange's Executive Committee, Mr Ang also chairs the Operations Committee which oversees the Operations and Technology groups. Prior to this, he was the General Manger of SIMEX and has served as Head of Money Market in the Banking Department and as Deputy Insurance Commissioner in the Insurance Commissioner's Department of the Monetary Authority of Singapore. Mr Ang holds a 1st class (Hons) degree in Commerce from Nanyang University of Singapore and a Master degree in Business Management from Northwestern University, USA.

MR CHEW HONG GIAN

Senior Vice President

Mr Chew Hong Gian heads SGX's Technology Group. He previously held several senior positions at the Exchange, where he was responsible for managing depository operations, marketing brokerage technology solutions and establishing an insourcing service. Mr Chew started his career with the National Computer Board. While at the Monetary Authority of



Singapore, he participated in a strategic review of Singapore's financial sector. Mr Chew graduated from the University of Michigan with a Bachelor (highest honors) degree and Master degree in Computer Science. He also holds an MBA (International Business) degree from the Nanyang Business School of Singapore.

MR PETER CHIA

Executive Vice President

Mr Peter Chia heads SGX's Strategy and Business Development Group and is Acting Head of the Products and Services Group. His key responsibilities include developing SGX's strategic direction and new business ventures, and driving its product development and product management efforts. Prior to joining the Exchange in 1987, Mr Chia was the head of POSB's Public Relations and Marketing department and also the Company Secretary of POSB's subsidiaries. Mr Chia graduated from the University of Singapore with a degree in Accountancy.

MR GAN SEOW ANN

Executive Vice President

Mr Gan Seow Ann heads SGX's Markets Group, responsible for marketing SGX's products and services, and managing the Exchange's relationships with customers, including issuers, intermediaries, institutions, traders and retail investors. Prior to joining SGX, he was the Managing Director of the Institutional Client Division at Merrill Lynch (S) Pte Ltd. Mr Gan holds a Master of Business Administration from McMaster University.

MR SECK WAI KWONG

Executive Vice President
Chief Financial Officer

Mr Seck Wai Kwong heads SGX's Corporate Services Group. Prior to this, he was Managing Director & Head, Investment Products and Bancassurance Group of Development Bank of Singapore Ltd, where he directed the wealth management business of the bank. Mr Seck has held positions in the Monetary Authority of Singapore and the Government of Singapore Investment Corporation. In addition, he was an adviser to the Investment Company of the People's Republic of China in 1995, and Managing Director of Lehman Brothers Inc from 1995 to 1999. He currently serves on the boards of the Land Transport Authority and the Energy Markets Authority. Mr Seck holds a Masters of Business Administration (with Distinction) from the Wharton School, University of Pennsylvania, USA, and a Bachelor of Economics (1st class Honours) from Monash University, Australia.

MR ALAN SHAW

Executive Vice President

Mr Alan Shaw is Head of SGX's Risk Management and Regulations Group. He brings with him 14 years of experience in the regulation of the securities markets. Prior to joining SGX, Mr Shaw was the National Manager for Supervision at the Australian Stock Exchange (ASX), responsible for managing functions across all aspects of the regulatory environment. During his 10-year career at ASX, Mr Shaw headed and managed a variety of key projects, which included the re-writing of ASX's listing rules, and the introduction of a self-listing framework for ASX's demutualisation. He holds a Bachelor degree in law, a postgraduate diploma in public policy and a Master degree in Arts from University of Melbourne, Australia.

MR DANIEL TAN

Executive Vice President

Mr Daniel Tan is Head of SGX's Operations Group, where he oversees the trading, clearing and settlement operations for securities and derivatives, as well as securities depository functions. When he was with the former Stock Exchange of Singapore (SES), Mr Tan was responsible for the development of SES' clearing and settlement, central depository and member firms' back office systems. Prior to joining SGX in 1983, he was with the Housing and Development Board. Mr Tan holds a degree in Computer Science from University of Toronto, Canada.



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CHEN JIULIN
Managing Director & CEO
China Aviation Oil (Singapore)
Corporation Ltd

“Singapore has a reputation as an efficient and well-regulated market; a listing on SGX has helped us attract the attention of global investors.”



Corporate governance report

SGX is committed to maintaining high standards of corporate governance to enhance shareholder value. This report discusses SGX's corporate governance processes and activities.

1. Board of directors

1.1 Responsibilities

The board delegates day-to-day operations to management, while reserving certain key matters for its approval.

1.2 Key functions of the board include approving the broad policies, strategies and objectives of the company, monitoring the performance of management, approving the annual budget, and approving major funding, investment and divestment proposals.

1.3 Board Composition

This year, the incoming chief executive officer ("CEO"), Hsieh Fu Hua, and an independent director, Tang Wee Loke, were co-opted into the board. They will be standing for re-election at the Annual General Meeting ("AGM").

1.4 SGX has 12 directors, of which 10 are non-executive and independent. The executive directors are the Chairman and the CEO. Key information on directors can be found in the "Board of Directors" section of the annual report.

1.5 SGX believes that board renewal is desirable in order for fresh perspectives to be provided on the company's strategic direction and growth. To this end, the Nominating Committee ("NC") reviewed the qualifications of suitable candidates, and identified three persons for consideration by the board. The 3 proposed directors will be standing for election in the AGM. Their biodata may be found in the "Proposed Directors" section of the annual report.

1.6 As a matter of policy, non-executive directors are expected to serve for four to six years. In exceptional cases, the NC may recommend the extension of a director's service.

1.7 To comply with the requirement in the Singapore Code of Corporate Governance (“Code”) that all directors should submit themselves for re-nomination and re-election at regular intervals, the company is proposing to amend its Articles in the Extraordinary General Meeting (“EGM”) to be held on 22 October 2003 to require the CEO to submit himself for re-nomination and re-election.

1.8 *Chairman and the Chief Executive Officer*

The Chairman’s principal role is to manage the business of the board and the board committees, and to preserve harmonious relations with the shareholders. Together with the Executive Committee (“Exco”), the CEO is responsible for making key decisions on the management and operation of the company.

1.9 *Directors’ Training Needs*

The company conducts an orientation programme to familiarise new directors with the company’s business and governance policies. Each director is provided with a manual, which is updated yearly, containing all board and company policies relating to disclosure of interests in securities, disclosure of conflicts of interest in a transaction involving the company, prohibitions on dealing in the company’s securities and restrictions on disclosure of price-sensitive information. SGX has an on-going training budget for directors to receive further relevant training of their choice in connection with their duties as directors. Directors are also welcome to request further explanations, briefings, or informal discussions on any aspect of the company’s operations or business issues from the management.

2. Board performance

2.1 This year, SGX commissioned an independent consultant, Egon Zehnder, to conduct a formal and independent assessment of the functions and effectiveness of the board. The consultant conducted a review of the board’s processes and functions. Information was gathered through questionnaires to directors and senior management, followed by an interview with each director. The review found that, on the whole, the SGX board strived to embrace both the detail and spirit of the Code, and did so in a manner consistent with its responsibilities as a significant public company and a financial services regulator.

- 2.2 On board structure, the review found that the SGX board comprised competent directors, and that board committees were generally performing satisfactorily. It recommended that 2 to 3 new directors be appointed with skills and backgrounds to reflect the company's new strategies following the new CEO's appointment. (See paragraph 1.5 of this report on new appointments to the board.)
- 2.3 The review found that the conduct of board meetings and the decision-making processes appeared satisfactory. It recommended that the relationship between board and management be redefined, making management more clearly accountable for performance; and that the flow of information between management and the board should be upgraded in terms of its quality, strategic content and speed. (See further at paragraph 3.5 of this report.)
- 2.4 In their responses to the questionnaires, the directors indicated that board meetings were well run, and that they were encouraged to contribute in these meetings.
- 2.5 On strategy, the review recommended that a full strategic review be undertaken and that consistent with the agreed strategy, the organisation structure and the relationship between board and management be reviewed, with management development and succession plans put in place as a consequence. This recommendation is being implemented. (See paragraph 9.1 of this report.)

3. Board's conduct of its affairs

- 3.1 Information regarding the board's and board committees' terms of reference are available on the SGX website, www.sgx.com.
- 3.2 The board conducts regular scheduled meetings on a bi-monthly basis. Ad-hoc meetings are convened when circumstances require. The attendance of the directors at meetings of the SGX board and board committees, as well as the frequency of such meetings, is disclosed at the end of this report.
- 3.3 *Access to Information*
Management provides directors 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 when received.

- 3.4 Should directors, whether as a group or individually, require independent professional advice the company secretary will appoint a professional adviser selected by the group or individual, and approved by either Chairman or the CEO, to render the advice. The cost of such professional advice will be borne by the company.
- 3.5 To implement the review's recommendation in paragraph 2.3, the Exco attends all board meetings, and the agenda and papers are scrutinised closely to upgrade the strategic content. Previously, the CEO and the President were the only management members who attended all board meetings. Informal contact is encouraged between management and individual directors, with directors being invited to attend discussions on specific business issues with management.
- 3.6 See the "Corporate Information" section of the annual report for the composition of the SGX board, board committees and the Exco.
- 3.7 To address the competing time commitments of directors who sit on multiple boards, board and board committee meeting dates are scheduled in advance at the beginning of every calendar year.

4. Board committees

- 4.1 The Company has 6 board committees:-
- (a) Nominating Committee;
 - (b) Audit Committee;
 - (c) Compensation and Management Development Committee;
 - (d) Appeals Committee;
 - (e) Strategy Committee; and
 - (f) Conflicts Committee.

5. Nominating committee (NC)

- 5.1 All appointments to the NC are subject to the prior approval of MAS. The chairman of the NC, Mr George Teo, is an independent and non-executive director.
- 5.2 The NC makes recommendations to the board on all board appointments and re-appointments, and the appointment of the CEO. It also decides on the appointments of the members of the board committees.

- 5.3 The company is required to obtain the prior approval of MAS for the appointment or re-appointment of a SGX director.
- 5.4 The NC, through its annual review, has ascertained that all the non-executive directors are independent, using the Code's criteria for independence.
- 5.5 This year the NC convened 14 meetings on the following matters:
- (a) search for a new CEO;
 - (b) review of the functions and effectiveness of the board; and
 - (c) board composition and renewal.

6. Audit committee (AC)

- 6.1 The AC comprises six members, all of whom are independent non-executive directors. The chairman of the AC, Mr Ho Tian Yee, is an investment fund manager.
- 6.2 The other members of the AC have many years of experience in managerial positions in the banking, finance and securities industries. 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.
- 6.3 The AC has explicit authority to investigate any matter within its terms of reference. Its main terms of reference are discussed in this report. It has full access to, and co-operation of, management and full discretion to invite any director or executive officer to attend its meetings.
- 6.4 Besides other functions that it performs, the AC reviews with the Chief Financial Officer and external auditor all audit matters including:-
- The company's quarterly and audited annual financial statements and related footnotes, and the integrity of financial reporting of the company and accounting principles, for recommendation to the board for approval; and
 - The external auditor's audit of the annual financial statements and reports.
- 6.5 The AC conducts an annual review of the independence and objectivity of the external auditor, PricewaterhouseCoopers. For FY2003, the AC undertook a review of the volume of non-audit services provided by the external auditor. It assessed whether

the nature and extent of those services might prejudice the independence and objectivity of the auditor before confirming its re-nomination. It was satisfied that such services did not affect the independence of the external auditor. The AC also reviewed the cost-effectiveness of the audit conducted by the external auditor.

6.6 The AC met with the external and internal auditors during the year, in the absence of management, for the purpose of facilitating discussion of the responses by management on audit matters.

6.7 The FY2003 statutory audit included a review of the company's financial, operational and compliance controls, and management of risk. The AC has reviewed the audit report. The company's internal audit department ("IA") follows up on the external auditor's recommendations in respect of any non-compliance and internal control weaknesses noted during its audit.

6.8 The AC has reviewed the company's risk assessment processes on behalf of the board. 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, and will be introducing a program for the management to perform its own assessment of the company's internal controls.

6.9 *Internal Audit*

IA's functions are independent of the activities it audits. IA provides objective opinion and assurance to the AC and the management as to the adequacy of the internal processes and controls within SGX. IA is staffed by 9 persons, including a Chief Internal Auditor. IA reports directly to the chairman of the AC on audit matters, and to the CEO on administrative matters.

6.10 The AC reviews IA's reports on a quarterly basis. The AC also reviews and approves the annual IA plan and resources. The AC is satisfied that IA has adequate resources to perform its functions, and has appropriate standing within the company.

6.11 The Chief Internal Auditor is a Certified Internal Auditor with The Institute of Internal Auditors, Inc. ("IIA"). The Chief Internal Auditor has adopted the Standards for Professional Practice of Internal Auditing set by the IIA.

7. Compensation and management development committee (CMDC)

- 7.1 The CMDC is chaired by Mr Wong Ngit Liong, an independent and non-executive director.
- 7.2 The CMDC obtains expert advice in respect of remuneration matters, when required, from the company's human resources department.
- 7.3 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 SGX Share Option Plan ("ESOS") and variable bonuses.
- 7.4 *Non-executive director compensation*
Non-executive directors receive fees which are set in accordance with a remuneration framework comprising basic fees and attendance fees. Executive directors do not receive director's fees. Directors' fees are subject to shareholders' approval at the AGM.
- 7.5 The framework of the director's fees is as follows:
(a) A basic fee of \$20,000 per annum; and
(b) An attendance fee of \$800 per meeting.

A breakdown of the fees paid to each director is given at the end of this report.

- 7.6 The chairman of the AC and members of the AC receive additional fees (\$15,000 and \$7,500 respectively) to take into account the nature of their responsibilities and the greater frequency of meetings in light of the company's quarterly reporting practice. They do not receive an attendance fee for AC meetings.
- 7.7 Non-executive directors have no service contracts and their terms are specified in the Articles. The CEO has a 3-year service contract. As is normal for fixed term contracts, should the CEO's contract be terminated before the expiry of the fixed term on a "no fault basis", compensation is payable up to the expiry date. 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. Both the CEO and Chairman's service contracts have a variable component which is linked to performance.

7.8 *Remuneration of the executive directors and key management*

See the “Remuneration Report” section in the annual report for the remuneration of each executive director and the Exco. There are both fixed and variable components to executive pay. The variable components are tied to organisational performance.

7.9 *ESOS*

The CMDC administers the ESOS. No director, whether executive or non-executive, currently has share options under the ESOS although the rules of the ESOS allow such grants. Details of the share options granted pursuant to the ESOS are in the Directors’ Report. Details of share options committed to the CEO are in note 12(e) of the Notes to the Financial Statements.

7.10 The CMDC met 3 times this year to consider the following matters:

- (a) variable bonus for FY2002;
- (b) key performance indicators – the targets, thresholds and weightage to determine the variable bonus pool for FY2003;
- (c) amendments to the ESOS;
- (d) the CEO’s remuneration and performance targets;
- (e) re-structuring the Chairman’s compensation to include a performance-based component;
- (f) award of stock options under the ESOS; and
- (g) amount of fees payable to the directors.

7.11 As none of the CMDC members have been awarded options under the ESOS, any decision by the CMDC on the re-pricing of share options (an item which will be raised for shareholders’ consideration at the EGM on 22 October 2003) would be objective and impartial. The members do not have any self interest at stake in the options granted under the ESOS.

8. Appeals committee

8.1 The Appeals committee decides on appeals against the decisions of the disciplinary tribunals of the securities and derivatives exchanges, and the securities and derivatives clearing houses. Although there were no physical meetings, the Appeals committee decided on a total of 6 appeals for the financial period ending 30 June 2003. It based its decisions on the documents submitted to it by the appellants, SGX-ST and SGX-DT, and the disciplinary tribunals.

- 8.2 All decisions based on documentary submissions alone must be unanimous. If there is disagreement, a physical meeting of the Appeals committee will be convened.
- 8.3 Two of the Appeals committee members, Mr Lucien Wong and Mr Colin Ng, are not board members. As well-known and respected lawyers practising in the securities and futures industry, they bring the benefit of their legal expertise to the committee.

9. Strategy committee (SC)

- 9.1 A full strategic review was undertaken by the new CEO. The redefined strategy for the organisation to adopt a customer-focused and demand-driven approach was considered and endorsed by the SC.
- 9.2 Consequent to the approval of the redefined strategy, a reorganisation plan has been introduced. The plan addresses leadership and succession plans for the company as well.
- 9.3 The SC held 2 meetings this year to consider, in addition to the strategic review, the following matters:
- (a) SGX's listing strategy;
 - (b) SGX's strategic alliances; and
 - (c) SGX's trading and clearing systems.

10. Conflicts committee (CC)

- 10.1 The CC was constituted as a result of the company's listing in November 2000. The appointment of the members is subject to the prior approval of the MAS. Its 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. No conflicts have been identified to date.

11. Executive Committee

- 11.1 The Exco is not a board committee. It is a management committee and was formed by the CEO to oversee management of SGX and its group companies. Its principal responsibilities are to implement the board's strategic policies; make key decisions on management and operation of the group; and make recommendations to the board as to the group's broad policies, strategies and financial objectives.

12. Communication with shareholders

- 12.1 Quarterly results are released within 60 days of the end of the quarter of the financial year. Next year quarterly results will be released within 45 days. For details on SGX's communications with its shareholders, see the "Investor Relations" section of the annual report.
- 12.2 SGX makes sure that it does not practise selective disclosure of material information. Material information is excluded from any briefing or is first publicly released, either before the company meets with 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.
- 12.3 The Articles allow a shareholder of the company to appoint one or two proxies to attend and vote in place of the shareholder.
- 12.4 The chairmen of the AC, the NC and the CMDC were present together with the external auditors at the FY2002 AGM to answer questions raised by shareholders.

13. Dealings in securities

- 13.1 The company has implemented a policy prohibiting its employees from dealing 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. The company believes that it has complied with the SGX-ST Best Practices Guide.

14. Interested person transactions

- 14.1 The company has also put in place an internal policy in respect of any interested person transactions of the company ("IPT policy"). All division heads are required to familiarise themselves with the IPT policy, and highlight any such transactions to the company's finance department. The finance department is in charge of keeping a register of the company's interested person transactions. The IPT policy also sets out the levels and procedures to obtain approval for the transaction. For FY2003, there were no interested person transactions.

15. Attendance report of directors

Name	SGX Board		Audit Committee		Nominating 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	
J Y Pillay	8	8			14	14	
Hsieh Fu Hua	3	3			*2	2	
Richard Gnodde	8	6					
Goh Yew Lin	8	6			14	13	
Ho Tian Yee	8	6	4	4	14	12	
Victor Liew	8	8	4	4	14	14	
Low Check Kian	8	7			14	12	
Hidetoshi Mine	8	6	4	3			
Robert Stein	8	5	4	2			
Tang Wee Loke	5	4	0	0			
George Teo	8	7			14	14	
Wong Ngit Liong	8	4	4	2	*3	2	

Note:

a) Tang Wee Loke appointed as a board member with effect from 19 December 2002

b) Hsieh Fu Hua appointed as a board member with effect from 1 March 2003

* By invitation

The Appeals Committee decided on a total of 6 appeals by written decisions on 2 September 2002 (2 appeals), 26 December 2002, 15 April 2003 (2 appeals) and 28 April 2003

	Compensation & Management Development Committee		#Appeals 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
	3	3	0	0	2	2	0	0
	*1	1			*1	1	0	0
	3	2						
					2	2		
					2	2		
			0	0	*1	1		
	3	2	0	0	2	2		
	3	3						
	3	2			2	1	0	0
			0	0	*1	1		
	3	3					0	0

16. Directors' fees

Name	(S\$)
Richard Gnodde	26,400
Goh Yew Lin	36,800
Ho Tian Yee	51,000
Victor Liew	45,900
Low Check Kian	38,400
Hidetoshi Mine	34,700
Robert Stein	33,900
Tang Wee Loke	30,700
George Teo	37,600
Wong Ngit Liong	34,700
Total	370,100

The Chairman and the CEO do not receive any directors' fees as they are executive directors. Their remuneration is disclosed in the Remuneration Report.

Remuneration report

In Singapore dollars

1. Compensation philosophy

Our recruitment process ensures that we attract the right people for our business. To support this aim, we have implemented an integrated compensation framework which effectively reflects differences in performance, responsibilities and market relativity.

Factors we consider within the framework are:

- External market competitiveness;
- Internal equity;
- Corporate performance; and
- Individual excellence recognition.

2. Compensation components

Our compensation framework is made up of four key components:

- Fixed pay;
- Benefits;
- Short term incentives in the form of variable bonus; and
- Long term incentives.

Fixed pay

Fixed pay comprises a base salary, Annual Wage Supplement (AWS) and fixed allowances. Benchmarked against comparable companies in relevant employment markets with similar jobs, SGX's base salary positioning is at the 50th percentile of the market. Individual salary varies with responsibilities, performance, skills and displayed level of competencies that the individual brings to the role.

Benefits

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

Short term incentives

Short term incentives take the form of an annual variable bonus. The variable bonus pool has two components – one based on overall organisational performance; and a second component which is dependent on individual performance.



Organisational performance is based on the achievement of SGX's four corporate key performance indicators (KPIs). For FY2003, they were:

- Operating return on equity;
- EBITDA;
- Revenue growth; and
- Staff turnover.

The KPIs are reviewed and adjusted at the commencement of each financial year to ensure that they are relevant and will contribute to the overall financial and operational goals of SGX.

The Compensation and Management Development Committee (CMDC) approves the KPIs and assesses the extent to which the performance objectives have been achieved in order to decide on variable bonus pool for distribution to employees.

Long term incentives

Long term incentives are granted annually in the form of share options to employees, and in the form of performance share options for senior management and high performing employees. The objective of the grant of share options is to align employees' interests with the interests of the shareholders.

Details of the number of share options granted, the exercise period and the valuation are given in the section on share options in the Directors' Report.

The CMDC administers the plan and determines the award of options to employees based on individual performance and rank.

3. Disclosure on executive remuneration (including executive directors)

The table below shows the gross remuneration (in terms of fixed pay, variable bonus and other benefits-in-kind) of three executive directors of the Group for FY2003:

Executive	Fixed Pay	Variable Bonus	Benefits-In-Kind	Total	Options Granted
*J Y Pillay	\$587,700	\$0	\$96,501	\$684,201	–
Hsieh Fu Hua	\$259,558	\$0	\$31,990	\$291,548	*
****Thomas A. Kloet	\$1,526,390	\$0	\$393,802	\$1,920,192	–

The table below shows the gross remuneration (in terms of fixed pay, variable bonus and other benefits-in-kind) received by the Exco members of the Group. They are: Ang Swee Tian, Chew Hong Gian, Peter Chia, Gan Seow Ann, Seck Wai Kwong#, Alan Shaw and Daniel Tan.

Remuneration Band & Name of Exco member	Fixed Pay	Variable Bonus	Benefits-In-Kind	Options Granted
\$750,000 to \$1,000,000				
Ang Swee Tian	77%	22%	1%	725,000
Alan Shaw	58%	24%	18%	575,000
\$500,000 to \$749,999				
Gan Seow Ann	74%	25%	1%	575,000
Peter Chia	75%	24%	1%	575,000
\$250,000 to \$499,999				
Daniel Tan	76%	23%	1%	525,000
Chew Hong Gian	81%	18%	1%	125,000

The total gross remuneration excluding options granted for the Exco members is \$3,272,923.

Footnote:

* J Y Pillay's remuneration was restructured this year to include a variable component. The variable component for FY2003 has not been determined as at 30 June 2003

** With effect from 1 March 2003

*** Please refer to page 98, note 12(e) of the Notes to the Financial Statements for details of the options committed to Hsieh Fu Hua

**** Thomas A. Kloet left SGX on 20 December 2002

Seck Wai Kwong joined SGX on 2 June 2003 and banding to end June is not meaningful





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Trade [PTP 0.02, 0.02, 0.2]
12Aug03 - 20Aug03

15:45 14:10 11:25 09:50 17:00 15:25 13:30

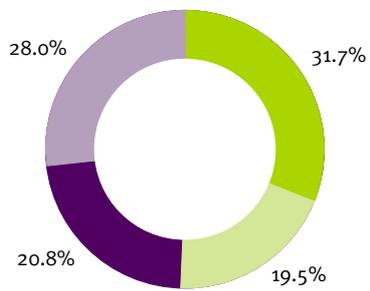
190
190
Stoch
SGD
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Human capital

Our human capital as at end FY2003

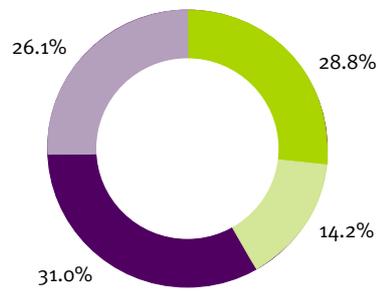
No. of management executive staff : 515
 No. of non-executive staff : 226

Distribution by length of service



■ < 3 years ■ 3 to < 5 years
■ 5 to < 10 years ■ 10 years & above

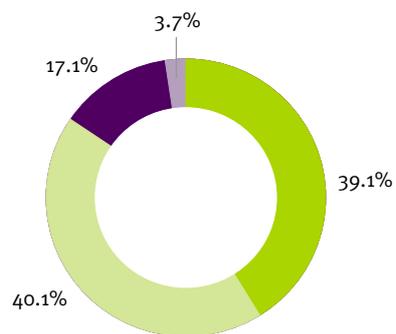
Management & executive staff



■ < 3 years ■ 3 to < 5 years
■ 5 to < 10 years ■ 10 years & above

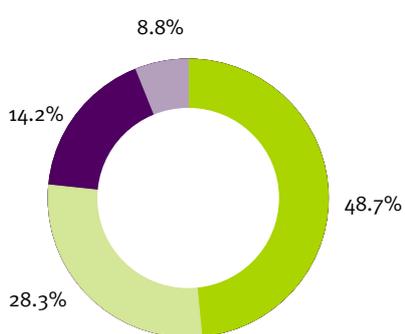
Non-executive staff

Distribution by age



■ 30 years & below ■ 31 - 40 years
■ 41 - 50 years ■ 51 years & above

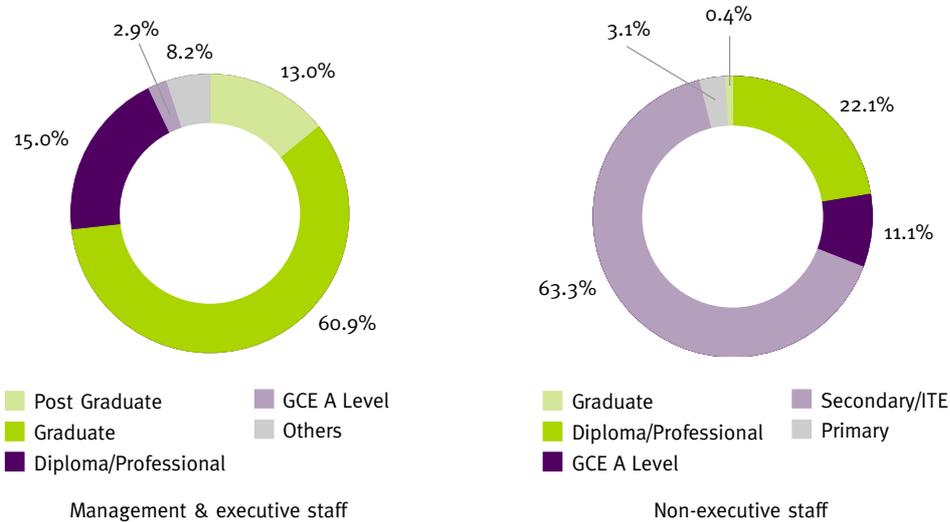
Management & executive staff



■ 30 years & below ■ 31 - 40 years
■ 41 - 50 years ■ 51 years & above

Non-executive staff

Distribution by qualification



Developing talent

We continue to focus on strengthening our workforce through training, development and upgrading of skills. Knowledge and skill gaps of our employees are identified by reference to the Exchange's business needs, and addressed through a comprehensive training curriculum. To inculcate a spirit of continuous learning in our employees, we have in place a sponsorship programme for further education.



Fostering cohesiveness

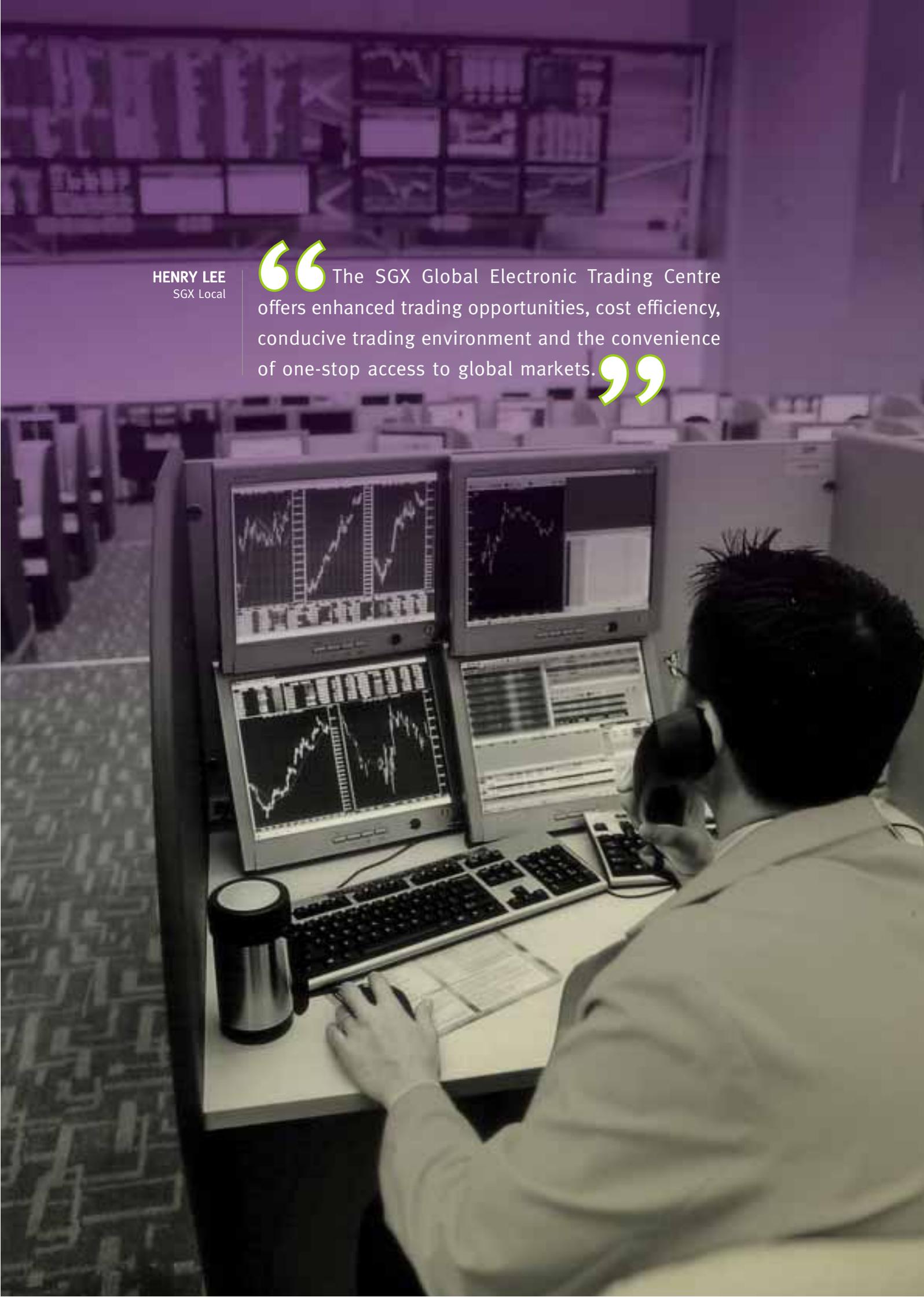
To create a cohesive workforce, social and recreational activities are organised regularly. Such activities include community work, seminars, an annual dinner and dance, and sports activities such as fitness sessions and bowling tournaments.

Encouraging interaction

Staff dialogues, cross-divisional meetings and Meet-our-CEO sessions are held on a regular basis. We also publish a monthly in-house newsletter. Besides allowing the entire organisation to share information on developments, these act as forums for the exchange of ideas and giving of feedback.



Growing our business



HENRY LEE
SGX Local

“ The SGX Global Electronic Trading Centre offers enhanced trading opportunities, cost efficiency, conducive trading environment and the convenience of one-stop access to global markets.

”

Operations review

Overall performance

The past year continued to be challenging for financial markets worldwide. The recovery in Asia was beleaguered by acts of terrorism and SARs. Exchanges continued to face the challenges of globalisation, technological development and the emergence of competitors such as Alternative Trading Systems or Electronic Communications Networks.

In the face of such uncertainty we have focused on streamlining our operations and finding cost efficiencies. We closed our New York office in July 2003 and moved the liaison function of that office back to Singapore. We continued to introduce new products and embarked on several initiatives aimed at improving the liquidity of the market and making it more attractive to investors. We also instituted several regulatory changes to reflect current industry practices and meet the changing needs of the marketplace.

Securities and derivatives markets

For the year ended 30 June 2003, our securities market recorded trading turnover of about 113.5 billion shares worth S\$102.6 billion. At the end of June 2003, there were 521 companies listed on the Singapore Exchange, with a total market capitalisation of S\$321.3 billion.

In our derivatives market trading volume reached 34.9 million contracts at end of June 2003, with open interest reaching 689,433 contracts.

During the year, we introduced several new products. In April 2002, we introduced the unit share market which allows trading of shares in single units. This enabled retail investors to trade in smaller parcels of shares and increased the liquidity of the underlying shares.

We listed an interesting new asset class that provides investors with the opportunity to own a portfolio of properties by way of a single stock transaction - Real Estate Investment Trusts (REITs). Singapore's first retail REIT, CapitaMall Trust, was launched in July 2002. In November 2002 Singapore's first business and industrial REIT, Ascendas Real Estate Investment Trust, was listed. Initial Public Offerings of both REITs were 5 times subscribed and, at end June 2003, combined market capitalisation of the two listed REITs was around S\$1.51 billion. Trading of the listed REITs in the secondary market was also active, with an average daily turnover volume of over 2.1 million units at the end of June 2003.



We also launched the Middle East Crude Oil Index Futures contract, added six Single Stock Futures contracts to the existing list of fifteen, and reached an agreement with Nihon Keizai Shimbun giving SGX the option to trade the Nikkei Futures and Options on the SGX Electronic Trading System (ETS) from 7 am to 7 pm Singapore time. In line with our plans to further develop the electronic trading market to complement our active open outcry trading, we are considering the ETS listing of the Nikkei 225 Futures contract and a Mini Nikkei 225 Futures contract.

In response to growing market demand for stocks from more sectors to be available on the SGX-ASX co-trading link, we increased the number of stocks on the linkage to over 100 Singapore stocks and 100 Australian stocks. Together with the Australian Stock Exchange (ASX), we will continue to review the list of stocks and add to the list as market interest develops.

In July 2002, we launched SGX SecuritiesBook, a market data feed system designed to offer retail and institutional investors 'live' access to up to 50 levels of bid and offer prices on the SGX securities market. It allows investors to make better-informed decisions because of greater transparency and enhanced price discovery. This service is currently available from Bloomberg, Reuters, Kim Eng Ong Asia Securities Pte Ltd, OCBC Securities Pte Ltd, Phillip Securities Pte Ltd and Moneyline Telerate.

We also further enhanced our Securities Lending programme with the introduction of open-dated lending in January 2003. Open-dated lending, an alternative to the fixed loan period of T+3 market days with rollovers, offers borrowers the flexibility of an indefinite borrowing period and allows partial return of loans. Ninety-nine percent of loans are now on an open-dated, rather than fixed term, basis. As at the end of June 2003, the SGX Securities Lending programme had 4,241 registered lenders and a pool of 620 million shares valued at S\$765 million.

We are now developing a system to facilitate the lending of securities over record date, which is the date when the company's share register is closed to determine the owners entitled to dividends, bonus, etc. We intend to introduce a corporate actions module to facilitate the distribution of dividends and bonus entitlements to lenders. Ultimately, these enhancements benefit both borrowers and lenders of securities and will make the programme more attractive. We are also looking at launching a term lending facility, where borrowers and lenders will fix a borrowing period depending on their requirements, thus supporting borrowers' medium- to long-term trading strategies.

We have completed Phase 1 — the business and technical architecture — of our Straight-Through-Processing initiative. We are now embarking on Phase 2, which entails the building of a Central Pre-Matching utility (CPM) to match settlement instructions from participants, and a Participant Access Module to enable communication among participants via the CPM. It is expected to take between 18 and 24 months. Once implemented, SGX member companies with automated back-office operations will be able to connect their back-office and risk management systems to The Central Depository's system.

Listings

The year saw 45 new listings raising a total of S\$2.7 billion, compared to S\$284.6 million raised by 26 new companies listed in the previous year. Initial Public Offerings this year included Ascendas REIT, CapitaMall Trust, MobileOne, and Singapore Post. We intend to continue our efforts to attract quality local and foreign listings.

Clearing and settlement

As at 30 June 2003, we maintained 1.2 million accounts in our Central Depository. There were 230.87 billion securities held in these accounts, with a total value of S\$195.45 billion.

Regulation

The past year saw much activity on the regulatory front as we revised and updated our listing rules and other regulations to ensure they meet the changing needs of the market and reflect current industry practices.

We released a new listing manual in July 2002, following a major review. We also embarked on public consultations on listing rule amendments to support recommendations by the Disclosure and Accounting Standards Committee, and the Company Legislation and Regulatory Framework Committee.

We issued a further consultation paper on 30 August 2002 in relation to quarterly reporting, and implemented listing rule 710(2), which requires listed issuers to describe their corporate governance practices with specific reference to the Code of Corporate Governance in their annual reports. We issued two new practice notes to provide guidance to listed issuers on their continuing obligations in respect of our Corporate Disclosure

Policy, and the disclosure of information for a term sheet issued in connection with an issue of structured warrants.

Furthering our push to improve market transparency, from 1 November 2002 all written queries issued by the Exchange on unusual price or volume activities were posted on MASNET immediately after they were issued.

From July 2003, SGX's routine inspection function over brokers was transferred to the Monetary Authority of Singapore. SGX will retain other supervisory functions and capital oversight of brokers and the right to conduct inspections or investigations of brokers as necessary. This streamlining will eliminate the duplication of functions and will increase the efficiency of our regulatory framework.

We also completed an internal review of our SGX Securities Trading Rules during the year and undertook public consultation. We target to effect the new set of rules by end November 2003.

During the year, the disciplinary committees appointed by the boards of SGX Securities Trading, SGX Derivatives Trading, SGX Derivatives Clearing and The Central Depository heard a total of 28 cases. Fourteen were heard by the securities disciplinary tribunal, and 14 by the derivatives disciplinary tribunal.

Exchange participants

In October 2002, SGX and MAS jointly rolled out a new risk-based capital framework for brokers with a one-year grace period for full implementation. The risk-based capital framework is a comprehensive capital regime that requires brokers to put up capital commensurate with their level of risk exposure.

In line with this, SGX introduced separate membership categories for securities trading and clearing in January 2003. The separation of clearing and trading rights gives members a choice of membership type. The capital requirements for trading members are significantly lower than the requirements which apply to clearing members. Of course, under the risk-based capital framework, members will be required to supplement the base capital requirement with additional financial resources, dependent on their individual risk exposure.

The separate members categories are:

- Member with trading rights only;
- Member of The Central Depository with clearing rights to provide third party clearing services for trading members, or for themselves if they also have trading rights; and
- Member with rights to provide trading and clearing services.

During the year, six more broking firms signed up for SGXAccess, an open interface technology which allows members to develop their own Order Management Systems and locate their terminals anywhere in the world. This brings the total number of members on SGXAccess to 14.

We launched our Global Electronic Trading Centre in October 2002, giving our derivatives members access to a state-of-the-art trading facility offering a comprehensive range of trading related services.

In December 2002, we signed an agreement with Patsystems to use Patsystems' electronic trading software as the second exchange-hosted electronic front-end trading system for the SGX ETS. This initiative will enable our derivatives members to expand their distribution to customers trading via Internet and leased lines when it is rolled out.

Moving ahead

Towards the end of the financial year, we embarked on restructuring our organisation to serve our customers better and focus on being a market-led, fully integrated Exchange. The new organisation, built around our principal customers — issuers institutions, traders, intermediaries, and the retail market, comes into effect in September 2003.

We recognise the need to build on the attractiveness of our marketplace. We intend to remain a dynamic organisation and will continue to innovate in order to remain competitive.



Risk management

Managing SGX's risk

During the year, SGX completed a risk assessment of its businesses and operations. The objectives of the risk assessment were to identify the risks that may materially and adversely affect SGX's business operations, formulate plans to address the risks, and establish a proactive risk management environment.

The risk assessment covered SGX's operational risk, financial risk, legal/regulatory risk, strategic risk and reputation risk. Special attention was paid to SGX's main business activities in trading, clearing and settlement, depository management and securities lending. We expect the risk assessment to be a continuing process.

Managing clearing risk

SGX's securities and derivatives clearing houses (CDP and SGX-DC) act as central counterparties to clearing members, providing them with assurance of contract performance for all trades cleared. This allows the clearing members to provide assurance of contract performance to their customers.

To support its role as central counterparty, each clearing house maintains financial resources to meet its funding requirements and losses in the event of the default of a clearing member.

In 2000, CDP significantly reduced its counterparty risk by reducing the contract settlement period from T+5 to T+3 days. SGX-DC mitigates its counterparty risk by performing mark-to-market and collecting margins on outstanding positions at least 3 times a day. This effectively reduces its exposure to price movements and position changes to less than one day.

In addition, to minimise the risk of a member's default, SGX enforces stringent membership criteria and undertakes ad hoc audits and regular reviews of members' financial condition. SGX's supervision of members will be further enhanced from 1 October 2003 with full implementation of the risk-based capital framework.

SGX's risk management department also manages the clearing risk by:

- monitoring risk exposure of the clearing houses and clearing members;
- monitoring compliance with position limits;
- monitoring risk concentration; and
- stress testing to ensure adequacy of clearing houses' financial resources.

Managing financial risk

Please refer to page 112 of the financial statements

Financial review

In Singapore dollars

The Group's business in FY2003 comprised mainly the operation of a Securities Market and a Derivatives Market.

Financial highlights for the financial year ended 30 June 2003

Net profit and operating profit

The Group recorded \$16.0 million net profit after tax and minority interests for the current financial year ended 30 June 2003, compared to \$60.9 million for the previous financial year ended 30 June 2002. Operating profit for the current financial year amounted to \$55.1 million, compared to \$64.2 million for the previous financial year. This excludes the impact of \$3.0 million and \$7.0 million provision for surplus leased premises for the current and previous financial years respectively.

Net loss after tax and minority interests for the current quarter ended 30 June 2003 amounted to \$28.1 million, compared to a profit of \$21.7 million for the previous corresponding quarter ended 30 June 2002. Operating profit for the current quarter amounted to \$18.0 million, compared to \$13.2 million for the previous corresponding quarter. This excludes the impact of \$3.0 million provision for surplus leased premises for the current quarter.

Exceptional item

The Group's current year financials included a total write-down of \$50.0 million for properties, comprising \$45.0 million for SGX Centre and \$5.0 million for 18 New Industrial Road. This reflects a 21% drop in the value of both properties.

Balance sheet

The Group remained debt-free. Major assets as at 30 June 2003 included \$340.5 million placed with independent fund managers, \$221.5 million of cash and cash equivalents, and the SGX Centre premises at net book value of \$164.7 million.

Shareholders' equity for the Group decreased to \$799.3 million as at 30 June 2003 from \$836.6 million as at 30 June 2002. The decrease essentially represented the difference between net profit for the current financial year and total dividend paid during the year.

Cash flow

The Group had net cash outflow of \$31.6 million for the current financial year ended 30 June 2003, compared to \$22.3 million net cash inflow for the previous financial year. The difference of \$53.9 million net outflow was mainly due to the \$21.2 million payment of retention sum for SGX Centre and \$25.5 million lower cash inflow from operations for the current financial year. In addition, there was a \$3.8 million increase in receipt from financing activities and \$10.2 million on sale and redemption of investments in the previous financial year.

For 4Q FY2003, the Group had net cash inflow of \$24.6 million, compared to \$30.8 million net cash inflow in 4Q FY2002. The \$6.2 million net lower inflow was mainly due to \$15.9 million lower cash inflow from operations, partly offset by \$5.2 million increase in receipt from financing activities and lower payments for investing activities of \$4.5 million in 4Q FY2003.

Bank facilities

The Group has put in place \$300 million of bank credit facilities in September 2003, comprising \$150 million in committed share financing and \$150 million in committed unsecured credit lines. The facilities were established for prudent risk management to cater to emergency funding needs, subsequent to the proposed \$300 million payment of the final and special dividend.

Following is a summary of financial analysis for various periods.

Full year ended 30 June 2003 vs Full year ended 30 June 2002

Operating revenue

The Group generated operating revenue of \$218.5 million for the current financial year ended 30 June 2003, compared to \$228.7 million for the previous financial year. The 4.5% decrease was mainly due to the decrease in securities clearing fees, and account maintenance and processing fees, partly offset by increase in derivatives clearing fees and related income.

Securities trading value dropped 22.6% to \$102.6 billion in the current financial year from \$132.4 billion for the previous financial year. Securities clearing fees, as a result, decreased 12.6% to \$66.9 million from \$76.5 million.

Derivatives trading registered a 10.9% increase to 34.9 million contracts in the current financial year from 31.5 million contracts for the previous financial year. The increase was largely due to higher trading volume of Eurodollar, Nikkei 225 Stock Index and MSCI Taiwan Index Futures. This resulted in a 9.5% increase in derivatives clearing fees and related income to \$43.0 million from \$39.3 million.

Account maintenance and processing fees decreased 10.3% to \$33.3 million in the current financial year from \$37.1 million for the previous financial year, largely due to lower income from securities transfer fees and contract charges.

Price information fees increased 11.0% to \$12.8 million in the current financial year from \$11.5 million for the previous financial year, mainly on income from SecuritiesBook, our real-time multi-level market data feed, introduced on 1 July 2002.

Other operating revenue decreased 23.8% to \$7.1 million in the current financial year from \$9.3 million in the previous financial year mainly due to adjustment of prior years' interest income on trust accounts.

Over the years, access and terminal fees, listing and membership fees and price information fees as a group forms a relatively stable base of income (“Stable Revenue”). Net Derivatives Clearing Revenue has been growing steadily at about 10% p.a. for the last 3 years. The remaining income fluctuates closely with the securities market trading value, and is more volatile (“Securities Market Revenue”). For the current financial year, approximately 34% of the Group’s operating revenue was Stable Revenue, 20% was Net Derivatives Clearing Revenue and the remaining 46% was Securities Market Revenue. These compared to 33%, 17% and 50% respectively for the previous financial year.

Following summarises the major components of the 3 revenue categories:

Revenue Categories	FY2003		FY2002	
	\$MM	%	\$MM	%
Stable Revenue				
• Access and terminal fees	31.1		31.0	
• Listing and membership fees	17.1		16.7	
• Price information fees	12.8		11.5	
• Sale of software and other computer services	7.2		7.3	
• Other operating revenue	7.1		9.3	
Total	75.3	34	75.8	33
Net Derivatives Clearing Revenue	43.0	20	39.3	17
Securities Market Revenue				
• Securities clearing fees	66.9		76.5	
• Account maintenance and processing fees	33.3		37.1	
Total	100.2	46	113.6	50
Total Operating Revenue	218.5	100	228.7	100

Operating costs

Total operating costs for the Group decreased 0.7% to \$163.4 million for the current financial year ended 30 June 2003 from \$164.5 million for the previous financial year. This excludes the impact of \$3.0 million provision for surplus leased premises for the current financial year and \$7.0 million for the previous financial year.

During the current financial year, the Group had incurred the following major non-recurring costs:

- (i) \$0.7 million provision for closure of SGX America Ltd;
- (ii) \$0.7 million SGX Group’s share of the \$1.4 million provision for Asia Converge’s closure costs;

- (iii) \$4.1 million retrenchment cost; and
- (iv) \$3.75 million provision for the contribution to the fund for developing the securities and derivatives industry in Singapore, jointly established with the MAS.

Furthermore, if we exclude the total operating costs of Asia Converge Pte Ltd and non-recurring costs, total operating costs would have decreased 8.3% to \$141.1 million from \$153.8 million between the two financial years.

Total staff costs decreased 6.3% to \$70.1 million for the current financial year from \$74.8 million in the previous financial year. Excluding Asia Converge Pte Ltd and non-recurring costs, total staff costs decreased 13.1% to \$59.8 million from \$68.8 million between the two financial years.

The Group had a total headcount of 809 as at 30 June 2003, compared to 841 as at 30 June 2002. Excluding Asia Converge Pte Ltd, the headcount was 741 and 761 respectively.

As at 31 August 2003, total headcount was reduced to 717 for the Group, and 651, excluding Asia Converge Pte Ltd.

Occupancy costs decreased 4.7% to \$17.1 million in the current financial year from \$18.0 million for the previous financial year, mainly due to reversal of over-provision of prior years' property tax on SGX Centre and lower property tax for the current financial year.

System maintenance and rental expenses increased 10.9% to \$21.0 million in the current financial year from \$18.9 million for the previous financial year, mainly due to rental of computer equipment and system maintenance services which commenced in late FY2002.

Depreciation decreased 5.7% to \$22.2 million in the current financial year from \$23.5 million for the previous financial year, mainly due to fully depreciated assets in FY2003.

Excluding the \$3.75 million contribution to a market development fund jointly established with MAS, other operating expenses remained at \$29.3 million for both financial years.

For both financial years, approximately 35% and 12% of the Group's operating costs pertain to IT and premises respectively.

Segment and market performance

For the current financial year ended 30 June 2003, Securities Market generated \$140.3 million of operating revenue and \$80.7 million of segment profit. This compared to \$155.3 million of operating revenue and \$86.8 million of segment profit for the previous financial year.

Despite the weakness in global securities markets, the number of new listings on SGX increased to 45 in the current financial year from 26 in the previous financial year.

Securities Market members decreased to 25 as at 30 June 2003 from 26 as at 30 June 2002, after resignation of two clearing members and admission of a non-clearing member.

For the current financial year, the Derivatives Market generated \$63.3 million of operating revenue and \$16.2 million of segment profit. This compared to \$58.1 million of operating revenue and \$10.2 million of segment profit for the previous financial year.

The volume growth in the current financial year was mainly attributable to active trading in Eurodollar contracts. The Eurodollar volume in the current financial year increased 12.7% to 20.7 million contracts from 18.3 million contracts for the previous financial year. The volume also represented 59.2% of our total derivatives volume for the current financial year.

The Nikkei 225 Stock Index trading volume grew 24.9% to 5.8 million contracts in the current financial year, from 4.6 million contracts in the previous financial year. MSCI Taiwan Index Futures trading volume grew 16.7% to 5.0 million contracts in the current financial year, compared to 4.3 million contracts in the previous financial year. MSCI Singapore Index Futures trading volume surged 56.6% to 875,776 contracts in the current financial year, from 559,381 contracts in the previous financial year.

Investment Performance

The investment portfolio managed by independent fund managers appreciated \$22.3 million in the current financial year ended 30 June 2003, compared to the \$15.2 million appreciation for the previous financial year. The gains in this fixed income portfolio were largely attributable to lower interest rates during the two periods.

These externally managed funds were fully liquidated in July 2003. Approximately \$3.0 million loss on liquidation was recognized in the first quarter of FY2004.

Interest from bank deposits amounted to \$2.3 million for the current financial year, \$1.5 million lower than the previous financial year, mainly due to declining interest rates.

3 months ended 30 June 2003 vs 3 months ended 30 June 2002

Operating revenue

The Group generated operating revenue of \$63.8 million for 4Q FY2003, compared to \$60.0 million for 4Q FY2002. The 6.3% increase was mainly due to the increase in revenue from both Securities and Derivatives Markets.

Securities trading value increased 19.1% to \$34.5 billion in 4Q FY2003 from \$28.9 billion in 4Q FY2002. Trading volume increased 72.9% to 48.1 billion shares from 27.8 billion shares between the same periods. As a result, securities clearing fee increased 12.7% to \$21.9 million in 4Q FY2003 from \$19.4 million in 4Q FY2002.

New listings increased to 15 in 4Q FY2003 from 4 in 4Q FY2002.

Derivatives clearing fees and related income increased 14.9% to \$11.7 million in 4Q FY2003 from \$10.2 million for 4Q FY2002. Trading volume increased 14.9% to 9.6 million contracts in 4Q FY2003 from 8.3 million contracts in 4Q FY2002.

Price information fees increased 16.7% to \$3.2 million in 4Q FY2003 from \$2.8 million in 4Q FY2002, mainly on income from real-time multi-level market data feed introduced on 1 July 2002.

Other operating revenue decreased 37.9% to \$2.3 million in 4Q FY2003 from \$3.7 million in 4Q FY2002, mainly due to adjustment of prior years' interest income on trust accounts in 4Q FY2002.

Operating costs

Total operating costs decreased 2.1% to \$45.8 million in 4Q FY2003 from \$46.8 million in 4Q FY2002. This excludes the impact of \$3.0 million provision for surplus leased premises for the current quarter. Staff cost and depreciation charges were lower, but were offset by an increase in other operating expenses. The increase in other operating expenses mainly reflected the \$3.75 million contribution to a market development fund jointly established with MAS.

Segment and market performance

For 4Q FY2003, Securities Market generated \$42.2 million of operating revenue and \$25.2 million of segment profit, compared to \$41.8 million of operating revenue and \$21.5 million of segment profit for 4Q FY2002.

Derivatives Market generated \$16.8 million of operating revenue and \$2.9 million of segment profit for 4Q FY2003, compared to \$14.3 million of operating revenue and \$0.7 million of segment profit for 4Q FY2002.

Investment performance

The investments placed with fund managers appreciated by \$5.8 million in 4Q FY2003, compared to \$9.5 million appreciation for 4Q FY2002.

Interest from bank deposits decreased slightly to \$0.4 million for 4Q FY2003, from \$0.6 million for 4Q FY2002, on lower interest rates.

6 months ended 30 June 2003 vs 6 months ended 31 December 2002

The Group generated operating revenue of \$111.0 million for 2H FY2003, compared to \$107.5 million for 1H FY2003. The 3.3% increase was mainly due to the increase in revenue from both Securities and Derivatives Markets.

Securities trading value increased 15.0% to \$54.9 billion in 2H FY2003 from \$47.7 billion in 1H FY2003. Derivatives trading volume increased 2.2% to 17.6 million contracts from 17.3 million contracts, between the two periods.

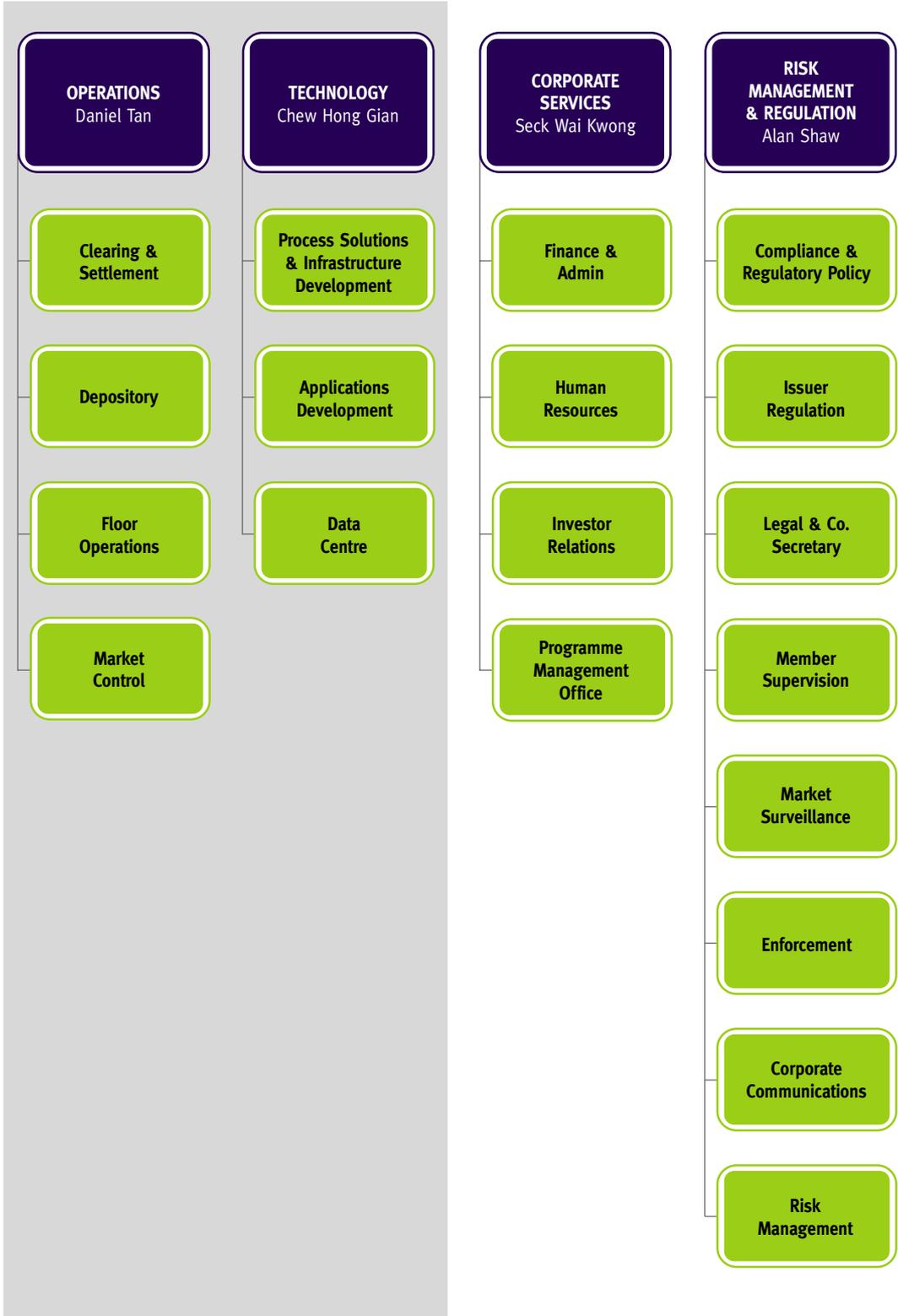
Organisation structure

As at 1 September 2003

Markets Strategic Business Unit



Operations Strategic Business Unit





Growing our community

LIM HUA MIN
Chairman
Securities Association
of Singapore

“ Partnership involves mutuality
of commitment; we see the Exchange as
our partner in the development of our
securities market. ”



Educating investors

SGX is committed to increasing the knowledge of the investing public and market participants about the investment products available in our securities and derivatives markets; and to the development of the investment landscape in our marketplace.

Courses, seminars and workshops



Courses, seminars and workshops for both the English- and Mandarin-speaking investors are organised regularly. The topics range from basic investment strategies to focusing on specific securities and derivatives products. Seminars we have organised include the Lianhe Zaobao-SGX Mandarin Retail Seminar targeted at Mandarin-speaking investors, Taking Stock of China 2002

— a two-day event featuring China-related companies listed in Singapore, and the SGX Investor Day which incorporated a bilingual seminar for retail investors and an SGX-ASX linkage seminar for trading representatives.

Webcasts of SGX Investment Workshops, dealing with market instruments such as bonds, Exchange Traded Funds and Real Estate Investment Trusts, are also posted on our website. These webcasts have attracted more than 26,000 viewers.

Qualification and skills upgrading programmes

Qualification and skills upgrading programmes are conducted for derivatives traders and prospective traders throughout the year. Such programmes include the Booth Personnel Qualification, Floor Trader Qualifications and CMFAS (Capital Markets & Financial Advisory Services) examinations.

SGX also organises a five-week Futures Apprenticeship Programme. This programme covers various aspects of the derivatives business and includes the derivatives qualification exams that allow the attendees to work in the derivatives industry.

Contributing to the community

Cooperation among exchanges

As a member of the East Asian and Oceanian Stock Exchanges' Federation (EAOSEF), SGX has participated in the EAOSEF working committees and the general assembly, and has co-authored research on STP and cross border trading by exchanges.

SGX sits on the board of the World Federation of Exchanges (WFE) and is involved in the working committees of the WFE, advocating closer partnerships with other exchanges to swap ideas and bring about greater efficiencies for the investing community.

Since 2001, SGX has also been an affiliate member of the International Organisation of Securities Commissions (IOSCO), which aims to promote high standards of regulation. We have attended the annual conferences for the past two years.

Developing the industry

SGX has co-sponsored the Annual Report Award (ARA) for the past three years. The Exchange is represented on the ARA main committee and participates in the working sub-committee which grades the shortlisted award contenders.

SGX is also a founding sponsor of the Ernst and Young Entrepreneur of the Year Awards, which strive to encourage entrepreneurial spirit in our economy. In addition, SGX has been the main sponsor for the annual Nanyang Technological University Investment Games.

In June 2003, together with the Monetary Authority of Singapore, SGX jointly established a S\$7.5 million pool of funds. The funds will be used for developing the securities and derivatives industry in Singapore, which includes raising investor awareness of Singapore's securities and derivatives markets and training of industry professionals.

Corporate volunteer programme

The SGX Corporate Volunteer Programme, "SGX Phileo" (Greek for friendship), was launched in August 2002 with the aim of promoting responsible corporate citizenship. The Movement for the Intellectually Disabled of Singapore (MINDS) is our beneficiary and during the year several activities and outings, including visits to the Singapore Science Centre and the Singapore History Museum, were organised.





Growing our numbers

OLIVIA LUM
Group CEO and President
Hyflux Group

“ Our listing on SGX has proven to be a defining moment for Hyflux. It has helped us capture opportunities that would otherwise have passed us by. Being listed in a marketplace with a high standard of corporate governance has enhanced our company’s value to shareholders worldwide. ”



Directors' report

For the financial year ended 30 June 2003

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 2003.

Directors

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

J Y Pillay (Chairman)
Hsieh Fu Hua (Chief Executive Officer) (appointed 1 March 2003)
Richard Gnodde
Goh Yew Lin
Ho Tian Yee
Victor Liew Cheng San
Low Check Kian
Hidetoshi Mine
Robert Stein
Tang Wee Loke (appointed 19 December 2002)
George Teo Eng Kim
Wong Ngit Liong

Principal activities

The principal activities of the Company are those of investment holding, treasury management, provision of management and administrative services to related corporations and sale of software and other computer services. The principal activities of subsidiaries are set out in Note 8 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>	<u>The Company</u>
	\$'000	\$'000
Profit after tax attributable to the shareholders of Singapore Exchange Limited	<u>16,001</u>	<u>9,765</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

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



Issue of shares and debentures

- (a) During the financial year, the Company issued 3,014,000 ordinary shares of \$0.01 each to option holders who exercised their rights in connection with the SGX Share Option Plan as follows:

<u>Subscription price per share, paid in cash</u>	<u>Number of ordinary shares of \$0.01 each in the Group</u>
\$	
1.10	2,511,000
1.21	108,000
1.16	395,000
	<u>3,014,000</u>

- (b) On 19 June 2003, the issued and paid-up share capital of Asia Converge Pte Ltd (“Asia Converge”) was increased to \$7,500,000 by an issue of 3,500,000 ordinary shares of \$1 each at premium ranging from \$0.2814 to \$0.8731 per share for cash and by way of setting off the amounts due to shareholders, amounting in aggregate to \$5,458,824 to provide for working capital.

There were no other issues of shares or debentures by any corporation in the Group during the financial year, except as disclosed above.

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.

Directors’ interests in shares or debentures

According to the register of directors’ shareholdings, none of the directors holding office at end of the financial year had interest in the share capital of the Company, except as follows:

	<u>Number of ordinary shares of \$0.01 each registered in name of director or nominee at</u>		<u>Number of ordinary shares of \$0.01 each in which a director is deemed to have an interest at</u>	
	<u>30.06.2003</u>	<u>01.07.2002 or date of appointment, if later</u>	<u>30.06.2003</u>	<u>01.07.2002 or date of appointment, if later</u>
J Y Pillay	262,000	262,000	–	–
Hsieh Fu Hua	430,000	430,000	–	–
Goh Yew Lin	–	–	2,500,000	4,132,000
Robert Stein	8,000	8,000	–	–
George Teo Eng Kim	–	–	–	8,286,636

There was no change in any of the abovementioned interests in the Company or in related corporations between the end of the financial year and 21 July 2003.

Dividends

Dividends paid, declared or proposed since the end of the Company's preceding financial year are as follows:

	\$'000
A final gross dividend of 4.396 cents per share, net of tax at 22% was paid on 22 October 2002 in respect of the financial year ended 30 June 2002 as proposed in the Directors' Report for the financial year	<u>34,289</u>
An interim gross dividend of 3.00 cents per share, net of tax at 22% was paid on 20 March 2003 in respect of the financial year ended 30 June 2003	<u>23,416</u>
A proposed final gross dividend of 3.50 cents per share, net of tax at 22% to be paid in respect of the financial year ended 30 June 2003	<u>27,382</u>
A proposed special gross dividend of 34.00 cents per share, net of tax at 22% to be paid in respect of the financial year ended 30 June 2003	<u>265,999</u>

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 impairment loss on the Company's and the Group's properties as set out in Note 7 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 substantially affect 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
Hsieh Fu Hua
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. Options granted will have a term no longer than five years from the date of grant.

Share options (continued)

(a) SGX Share Option Plan (the “Scheme”) (continued)

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

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>
01.10.2002	02.10.2004 to 01.10.2009	17,091,000	\$1.16

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

All options granted under the Scheme have been granted at Market Price.

(b) Former Chief Executive Officer’s Employment Contract (the “Contract”)

Options granted under the Contract

Number of ordinary shares granted under options during the financial year under review	–
Aggregate number of ordinary shares granted under options since commencement of Contract to end of the financial year under review	15,000,000*
Aggregate number of ordinary shares granted under options exercised since commencement of Contract to end of financial year under review	(520,000)
Aggregate number of ordinary shares granted under options outstanding as at end of financial year under review	<u>14,480,000</u>

* The breakdown of the number of ordinary shares of SGX granted under the options 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>
24.04.2000	25.04.2001 to 24.04.2010	5,000,000	\$1.10
24.04.2000	25.04.2001 to 24.04.2010	5,000,000	\$1.65
24.04.2001	25.04.2002 to 24.04.2011	2,500,000	\$1.17
24.04.2002	25.04.2003 to 24.04.2012	2,500,000	\$1.32
		<u>15,000,000</u>	



Share options (continued)

(c) Unissued shares under option (the Scheme and the Contract)

There were 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 are as follows:

Date of grant	Balance as at 01.07.2002 or date of grant, if later	Lapsed	Variation of exercise period*	Options exercised	Balance as at 30.06.2003	Number of option holders as at 30.06.2003	Exercise price	Fair value as at 30.06.2003@@	Exercise period
24.04.2000	5,000,000	-	-	(520,000)	4,480,000	1**	\$1.10	\$0.43	25.04.2001 to 24.04.2010
24.04.2000	5,000,000	-	-	-	5,000,000	1**	\$1.65	\$0.25	25.04.2001 to 24.04.2010
20.11.2000	7,281,000	(210,000)	(1,583,000)	(1,113,000)	4,375,000	300	\$1.10	\$0.39	21.11.2002 to 20.11.2007
20.11.2000	-	-	169,000	(8,000)	161,000	14	\$1.10	\$0.28	21.11.2002 to 20.11.2003
20.11.2000	-	-	72,000	(12,000)	60,000	2	\$1.10	\$0.29	21.11.2002 to 13.03.2004
20.11.2000	-	-	817,000	(683,000)	134,000	18	\$1.10	\$0.30	21.11.2002 to 29.06.2004
20.11.2000	-	-	525,000	(175,000)	350,000	2	\$1.10	\$0.33	21.11.2002 to 29.06.2005
24.04.2001	2,500,000	-	-	-	2,500,000	1**	\$1.17	\$0.41	25.04.2002 to 24.04.2011
03.12.2001	7,840,000	(322,000)	(1,522,000)	-	5,996,000	492	\$1.21	\$0.36	04.12.2003 to 03.12.2008
03.12.2001	-	-	696,000	(108,000)	588,000	40	\$1.21	\$0.23	06.05.2003 to 29.06.2004
03.12.2001	-	-	525,000	-	525,000	3	\$1.21	\$0.27	06.05.2003 to 29.06.2005
03.12.2001	-	-	104,000	-	104,000	9	\$1.21	\$0.23	22.05.2003 to 29.06.2004
03.12.2001	-	-	4,000	-	4,000	1	\$1.21	\$0.23	30.05.2003 to 29.06.2004
03.12.2001	-	-	36,000	-	36,000	5	\$1.21	\$0.23	10.06.2003 to 29.06.2004
03.12.2001	-	-	157,000	-	157,000	14	\$1.21	\$0.25	04.12.2003 to 03.12.2004
15.01.2002	175,000	-	-	-	175,000	1	\$1.29	\$0.33	16.01.2004 to 15.01.2009
24.04.2002	2,500,000	-	-	-	2,500,000	1**	\$1.32	\$0.37	25.04.2003 to 24.04.2012
01.10.2002	17,091,000	(218,000)	(2,494,000)	-	14,379,000	554	\$1.16	\$0.39	02.10.2004 to 01.10.2009
01.10.2002	-	-	835,000	(120,000)	715,000	34	\$1.16	\$0.26	06.05.2003 to 29.06.2004
01.10.2002	-	-	1,350,000	(275,000)	1,075,000	3	\$1.16	\$0.30	06.05.2003 to 29.06.2005
01.10.2002	-	-	96,000	-	96,000	8	\$1.16	\$0.26	22.05.2003 to 29.06.2004
01.10.2002	-	-	8,000	-	8,000	2	\$1.16	\$0.26	30.05.2003 to 29.06.2004
01.10.2002	-	-	74,000	-	74,000	7	\$1.16	\$0.26	10.06.2003 to 29.06.2004
01.10.2002	-	-	131,000	-	131,000	2	\$1.16	\$0.30	02.10.2004 to 01.10.2005
Total	47,387,000	(750,000)	-	(3,014,000)	43,623,000				

* The exercise period for these options were amended for retrenched staff as provided under the Scheme.

** Options granted under the Contract.

Share options (continued)

(c) Unissued shares under option (the Scheme and the Contract) (continued)

@@ The fair value of options granted is estimated using the Cox-Ross-Rubinstein (1979) binomial tree model on the basis of the following assumptions on dividend yield, risk-free interest rate, expected volatility and time to maturity:

<u>Date of grant</u>	<u>Exercise period</u>	<u>Number of shares granted under options</u>	<u>Fair value of options</u>	<u>Exercise price</u>	<u>Dividend yield %</u>	<u>Risk-free interest rate %</u>	<u>Volatility rate %</u>	<u>Time to maturity Years</u>
24.04.2000	25.04.2001 to 24.04.2010	4,480,000	\$0.43	\$1.10	3.70	1.82	30.54	6.8
24.04.2000	25.04.2001 to 24.04.2010	5,000,000	\$0.25	\$1.65	3.70	1.82	30.54	6.8
20.11.2000	21.11.2002 to 20.11.2007	4,375,000	\$0.39	\$1.10	3.70	1.27	30.54	4.4
20.11.2000	21.11.2002 to 20.11.2003	161,000	\$0.28	\$1.10	3.70	0.53	30.54	0.4
20.11.2000	21.11.2002 to 13.03.2004	60,000	\$0.29	\$1.10	3.70	0.59	30.54	0.7
20.11.2000	21.11.2002 to 29.06.2004	134,000	\$0.30	\$1.10	3.70	0.64	30.54	1.0
20.11.2000	21.11.2002 to 29.06.2005	350,000	\$0.33	\$1.10	3.70	0.74	30.54	2.0
24.04.2001	25.04.2002 to 24.04.2011	2,500,000	\$0.41	\$1.17	3.70	1.98	30.54	7.8
03.12.2001	04.12.2003 to 03.12.2008	5,996,000	\$0.36	\$1.21	3.70	1.51	30.54	5.4
03.12.2001	06.05.2003 to 29.06.2004	588,000	\$0.23	\$1.21	3.70	0.64	30.54	1.0
03.12.2001	06.05.2003 to 29.06.2005	525,000	\$0.27	\$1.21	3.70	0.74	30.54	2.0
03.12.2001	22.05.2003 to 29.06.2004	104,000	\$0.23	\$1.21	3.70	0.64	30.54	1.0
03.12.2001	30.05.2003 to 29.06.2004	4,000	\$0.23	\$1.21	3.70	0.64	30.54	1.0
03.12.2001	10.06.2003 to 29.06.2004	36,000	\$0.23	\$1.21	3.70	0.64	30.54	1.0
03.12.2001	04.12.2003 to 03.12.2004	157,000	\$0.25	\$1.21	3.70	0.68	30.54	1.4
15.01.2002	16.01.2004 to 15.01.2009	175,000	\$0.33	\$1.29	3.70	1.53	30.54	5.6
24.04.2002	25.04.2003 to 24.04.2012	2,500,000	\$0.37	\$1.32	3.70	2.12	30.54	8.8
01.10.2002	02.10.2004 to 01.10.2009	14,379,000	\$0.39	\$1.16	3.70	1.69	30.54	6.3
01.10.2002	06.05.2003 to 29.06.2004	715,000	\$0.26	\$1.16	3.70	0.64	30.54	1.0
01.10.2002	06.05.2003 to 29.06.2005	1,075,000	\$0.30	\$1.16	3.70	0.74	30.54	2.0
01.10.2002	22.05.2003 to 29.06.2004	96,000	\$0.26	\$1.16	3.70	0.64	30.54	1.0
01.10.2002	30.05.2003 to 29.06.2004	8,000	\$0.26	\$1.16	3.70	0.64	30.54	1.0
01.10.2002	10.06.2003 to 29.06.2004	74,000	\$0.26	\$1.16	3.70	0.64	30.54	1.0
01.10.2002	02.10.2004 to 01.10.2005	131,000	\$0.30	\$1.16	3.70	0.80	30.54	2.3

Share options (continued)

(c) Unissued shares under option (the Scheme and the Contract) (continued)

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.

Audit Committee

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

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

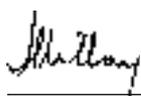
The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, including a review of the financial statements of the Company and of the Group for the financial year and the auditors' report thereon.

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



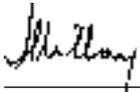
Hsieh Fu Hua
Director

11 September 2003

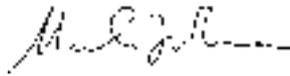
Statement by directors

In the opinion of the directors, the financial statements set out on pages 78 to 112 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 2003 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



Hsieh Fu Hua
Director

11 September 2003



Auditors' report to the shareholders of Singapore Exchange Limited

We have audited the financial statements of Singapore Exchange Limited and the consolidated financial statements of the Group for the financial year ended 30 June 2003 set out on pages 78 to 112. 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.

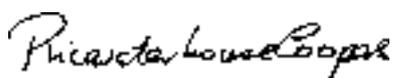
We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the 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 2003, 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, 11 September 2003

Balance sheets

As at 30 June 2003

	Notes	The Group		The Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current assets					
Cash and cash equivalents	3	221,478	253,048	16,838	23,127
Trade and other debtors	4	338,332	313,371	5,624	21,809
Securities clearing funds	5	34,602	34,148	–	–
Available-for-sale investments	6	356,524	335,437	340,463	317,454
Tax recoverable	15	694	222	476	–
		951,630	936,226	363,401	362,390
Non-current assets					
Property, plant and equipment	7	225,513	282,344	45,923	47,413
Club memberships		720	700	720	700
Investments in subsidiaries	8	–	–	392,340	392,340
Investment in joint venture	9	278	368	–	–
		226,511	283,412	438,983	440,453
Total assets		1,178,141	1,219,638	802,384	802,843
Current liabilities					
Trade and other creditors	10	334,834	337,430	52,017	13,382
Securities clearing members' contributions to clearing funds	5	9,602	9,148	–	–
Provision for surplus leased premises and unutilised leave	11	6,220	4,049	4,605	2,601
Taxation	15	16,375	19,817	–	2,119
		367,031	370,444	56,622	18,102
Non-current liabilities					
Provision for surplus leased premises	11	5,675	4,816	4,434	3,549
Deferred tax liabilities	15	5,353	6,527	9,129	4,404
		11,028	11,343	13,563	7,953
Total liabilities		378,059	381,787	70,185	26,055
Net assets		800,082	837,851	732,199	776,788
Equity					
Share capital	12	10,030	10,000	10,030	10,000
Reserves		789,294	826,573	722,169	766,788
Shareholders' equity		799,324	836,573	732,199	776,788
Minority interests					
		758	1,278	–	–
		800,082	837,851	732,199	776,788

Comparative figures relating to derivatives margin funds and deposits, and securities and derivatives fidelity funds have been derecognised as assets and liabilities of the Group (please refer to Note 2(r)).

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

For the financial year ended 30 June 2003

	Notes	The Group		The Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Operating revenue					
Clearing fees and related income (net of rebates)		109,959	115,834	–	–
Access and terminal fees		31,054	30,971	–	–
Account maintenance and processing fees		33,326	37,144	4,952	–
Listing and membership fees		17,071	16,677	–	–
Price information fees		12,767	11,498	–	–
Sale of software and other computer services		7,224	7,266	1,936	–
Management fees from subsidiaries		–	–	76,275	79,690
Other operating revenue		7,103	9,319	1,650	1,411
Total operating revenue	2(m)	218,504	228,709	84,813	81,101
Operating expenses					
Staff costs	17	70,075	74,765	42,331	44,343
Occupancy costs		17,140	17,977	9,894	8,894
Depreciation		22,192	23,521	10,320	9,658
System maintenance and rental		20,995	18,930	8,761	7,090
Provision for surplus leased premises		3,000	7,000	2,976	4,893
Other operating expenses		33,006	29,301	13,405	10,289
Total operating expenses		166,408	171,494	87,687	85,167
Profit/(loss) from operating activities	13	52,096	57,215	(2,874)	(4,066)
Net non-operating revenue	14	25,406	19,882	22,364	15,818
Exceptional item - Impairment loss on properties	7	(50,000)	–	(5,000)	–
Profit before tax and minority interests		27,502	77,097	14,490	11,752
Share of results of joint venture	9	(90)	(123)	–	–
		27,412	76,974	14,490	11,752
Tax	15	(14,606)	(18,710)	(4,725)	(5,200)
Profit after tax and before minority interests		12,806	58,264	9,765	6,552
Minority interests		3,195	2,642	–	–
Profit after tax and minority interests		16,001	60,906	9,765	6,552
Earnings per share (cents)					
Before exceptional item	16				
- Basic		6.60	6.09		
- Diluted		6.59	6.08		
After exceptional item					
- Basic		1.60	6.09		
- Diluted		1.60	6.08		

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 2003

The Group

Notes	Share capital \$'000	Share premium* \$'000	Clearing fund	Translation reserve* \$'000	Hedging reserve* \$'000	General reserve \$'000	Retained profits \$'000	Proposed dividends \$'000	Total \$'000
			reserve* (Note 5) \$'000						
Balance at 1 July 2002	10,000	305,537	25,000	16	(147)	-	461,878	34,289	836,573
Gain/(loss) on hedging									
- unrealised	-	-	-	-	1,323	-	-	-	1,323
- transfer to income statement	-	-	-	-	(211)	-	211	-	-
Net profit before realisation of hedging reserve	-	-	-	-	-	-	15,790	-	15,790
Net profit for the financial year	-	-	-	-	1,112	-	16,001	-	17,113
Currency translation differences recognised directly in shareholders' equity	-	-	-	(8)	-	-	-	-	(8)
Total recognised gains for the financial year	-	-	-	(8)	1,112	-	16,001	-	17,105
Dividends paid									
- Final dividends - Financial year 2002	18	-	-	-	-	-	-	(34,289)	(34,289)
- Interim dividends - Financial year 2003	18	-	-	-	-	-	(23,416)	-	(23,416)
Proposed dividends									
- Final dividends - Financial year 2003	18	-	-	-	-	-	(27,382)	27,382	-
- Special dividends - Financial year 2003	18	-	-	-	-	-	(265,999)	265,999	-
Issue of ordinary shares	12	30	3,321	-	-	-	-	-	3,351
Balance at 30 June 2003	10,030	308,858	25,000	8	965	-	161,082	293,381	799,324
Balance at 1 July 2001	10,000	305,537	25,000	28	-	404,322	53,589	-	798,476
- as previously reported									
- effect of adopting SAS 31	-	-	-	-	-	-	-	32,465	32,465
- effect of adopting SAS 33	-	-	-	-	(1,755)	-	-	-	(1,755)
- as restated	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)
Total recognised gains for the financial year	-	-	-	(12)	1,608	-	60,906	-	62,502
Transfer to retained profits	-	-	-	-	-	(404,322)	-	-	(404,322)
Transfer from general reserve	-	-	-	-	-	-	404,322	-	404,322
Dividends paid									
- Final dividends - Financial year 2001	-	-	-	-	-	-	-	(32,465)	(32,465)
- Interim dividends - Financial year 2002	18	-	-	-	-	-	(22,650)	-	(22,650)
Proposed dividends									
- Final dividends - Financial year 2002	18	-	-	-	-	-	(34,289)	34,289	-
Balance at 30 June 2002	10,000	305,537	25,000	16	(147)	-	461,878	34,289	836,573

* 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 2003

The Company

	Notes	Share capital \$'000	Share premium* \$'000	Retained profits \$'000	Proposed dividends \$'000	Total \$'000
Balance at 1 July 2002		10,000	305,537	426,962	34,289	776,788
Net profit - total recognised gains for the financial year		-	-	9,765	-	9,765
		10,000	305,537	436,727	34,289	786,553
Dividends paid						
- Final dividends - Financial year 2002	18	-	-	-	(34,289)	(34,289)
- Interim dividends - Financial year 2003	18	-	-	(23,416)	-	(23,416)
Proposed dividends						
- Final dividends - Financial year 2003	18	-	-	(27,382)	27,382	-
- Special dividends - Financial year 2003	18	-	-	(265,999)	265,999	-
Issue of ordinary shares	12	30	3,321	-	-	3,351
Balance at 30 June 2003		10,030	308,858	119,930	293,381	732,199
Balance at 1 July 2001						
- as previously reported		10,000	305,537	477,349	-	792,886
- effect of adopting SAS 31		-	-	-	32,465	32,465
- as restated		10,000	305,537	477,349	32,465	825,351
Net profit - total recognised gains for the financial year		-	-	6,552	-	6,552
Dividends paid						
- Final dividends - Financial year 2001		-	-	-	(32,465)	(32,465)
- Interim dividends - Financial year 2002	18	-	-	(22,650)	-	(22,650)
Proposed dividends						
- Final dividends - Financial year 2002	18	-	-	(34,289)	34,289	-
Balance at 30 June 2002		10,000	305,537	426,962	34,289	776,788

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

The accompanying notes form an integral part of these financial statements.
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Consolidated cash flow statement

For the financial year ended 30 June 2003

	Notes	2003 \$'000	2002 \$'000
Cash flows from operating activities			
Profit before tax and share of results of joint venture		27,502	77,097
Adjustments for:			
- Depreciation		22,192	23,521
- Provision for surplus leased premises		3,000	7,000
- Impairment loss on plant and equipment		410	-
- Exceptional item - Impairment loss on properties		50,000	-
- Net gain on revaluation of investments		(22,336)	(15,148)
- Write-off of property, plant and equipment		2,405	635
- Gain on disposal of property, plant and equipment		(234)	-
- Write down of club membership		-	28
- Interest income		(3,067)	(4,660)
Operating cash flow before working capital change		79,872	88,473
Change in operating assets and liabilities			
- Trade and other receivables		(22,505)	15,108
- Trade and other payables		18,610	(7,046)
Cash generated from operations		75,977	96,535
Income tax paid		(19,772)	(17,385)
Dividends paid		(57,705)	(55,115)
Net cash (used in)/from operating activities		(1,500)	24,035
Cash flows from investing activities			
Payments for retention sum of properties		(21,175)	-
Payments for property, plant and equipment		(18,464)	(29,578)
Proceeds from disposal of property, plant and equipment		237	-
Payment for club membership		(20)	-
Interest received		3,049	7,134
Proceeds from sale/redemption of investments		-	10,187
Receipt from Financial Sector Development Fund ("FSDF") for property, plant and equipment purchased		285	1,628
Investment in joint venture		-	(890)
Net cash used in investing activities		(36,088)	(11,519)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		3,351	-
Receipt from FSDF for merger-related expenses		-	5,905
Contributions from minority interests		2,675	3,920
Net cash from financing activities		6,026	9,825
Net (decrease)/increase in cash and cash equivalents held		(31,562)	22,341
Cash and cash equivalents at the beginning of the financial year		253,048	230,719
Effects of exchange rate changes on cash and cash equivalents		(8)	(12)
Cash and cash equivalents at the end of the financial year	3	221,478	253,048

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 2003

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

1. General

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

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

The principal activities of the Company are those of investment holding, treasury management, provision of management and administrative services to related corporations and sale of software and other computer services. The principal activities of subsidiaries are set out in Note 8 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 and certain properties at fair value and are expressed in Singapore dollars.

The financial statements have been prepared in compliance with Singapore Statements of Accounting Standard ("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.

2. Significant accounting policies (continued)

(d) Bad and doubtful debts

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

(e) Investments

The Group has adopted SAS 33 and classifies 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.

Investments in subsidiaries are stated in the financial statements of the Company at cost less impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount. Impairment losses are taken to the income statement in the year in which the loss is determined. On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

(f) Joint ventures

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

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.

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

2. Significant accounting policies (continued)

(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.

(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 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 has been calculated on the basis of absolute dollar 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.

2. Significant accounting policies (continued)

(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.

(m) Revenue recognition

Revenue is recognised on the following basis:

- i. clearing fees and related income, net of rebates, on a due date basis;
- ii. listing and membership fees, maintenance fees and rental income on a time proportion basis;
- iii. 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.

(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.

(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.



2. Significant accounting policies (continued)

(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 17).

Share options

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

(r) Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, derivatives margin funds and deposits, and securities and derivatives fidelity funds have been derecognised as assets and liabilities of the Group. The directors are of the opinion that due to the offsetting nature of the derivatives margin funds and deposits balances, and the trust nature of the fidelity funds, the derecognition of these balances would provide a clearer presentation of the assets of the Group. The revised presentation does not result in a change in the net assets of the Group.

3. Cash and cash equivalents

	<u>The Group</u>		<u>The Company</u>	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	40,678	208,948	6,838	23,127
Fixed deposits with banks	180,800	44,100	10,000	–
	221,478	253,048	16,838	23,127

Cash at bank of the Group and the Company of \$38,094,000 (2002: \$208,631,000) and \$6,833,000 (2002: \$23,113,000) respectively bear interest at an average rate of 0.78% (2002: 0.71%) and 0.38% (2002: 0.58%) 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>	
	2003	2002	2003	2002
Average maturity (days)	54	85	16	–
Effective weighted average interest rate (% per annum)	0.48	0.76	0.45	–

4. Trade and other debtors

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Trade receivables (net) (Note (a))	331,140	301,664	2,557	1,338
Other debtors (Note (b))	6,981	11,573	3,067	5,200
Due from fidelity funds	211	134	-	-
Amounts due from subsidiaries (trade)	-	-	-	15,271
	338,332	313,371	5,624	21,809

(a) Trade receivables comprise:

Receivables from clearing members:				
- Daily settlements of accounts for due contracts and rights	297,564	275,799	-	-
- Clearing and other fees	27,614	15,428	-	-
Other trade receivables	6,551	11,282	2,557	1,338
	331,729	302,509	2,557	1,338
Less: Provision for doubtful debts	(589)	(845)	-	-
	331,140	301,664	2,557	1,338

Movements in provision for doubtful debts are as follows:

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Balance at the beginning of the financial year	845	371	-	-
Bad debts written off against provision	(354)	(40)	-	-
Write-back of provision for doubtful debts (Note 13)	(97)	-	-	-
Provision for doubtful debts (Note 13)	195	514	-	-
Balance at the end of the financial year	589	845	-	-

(b) Other debtors comprise:

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Interest receivable	1,168	1,150	2	-
Prepayments	2,031	4,780	593	2,575
Deposits	2,850	2,858	2,162	2,175
Staff advances	519	598	237	382
Others (non-trade)	413	2,187	73	68
	6,981	11,573	3,067	5,200

5. 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 from its own resources standby credit amounting to \$75 million to support the Clearing Fund.

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

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

(b) OCC clearing fund

Each clearing member shall be liable to contribute a base deposit of an initial amount of \$30,000 in cash to the clearing fund. In addition to the base deposit, each clearing member shall be liable to contribute a variable deposit which shall be based upon the amount of business transacted or cleared by the clearing member. The clearing member’s clearing fund total deposit shall consist of the aggregate amount of the base and variable deposit paid by the clearing member.

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

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

(c) As at 30 June 2003, securities clearing fund contributors comprise:

	<u>The Group</u>	
	2003	2002
	\$’000	\$’000
Cash contributions by CDP clearing members	9,062	8,578
Cash contributions by OCC clearing members	540	570
Total cash contributions by securities clearing members	9,602	9,148
Cash contributions by CDP	25,000	25,000
	34,602	34,148
Contributions by securities clearing members in the form of bank guarantees	8,323	9,524
	42,925	43,672

5. Securities clearing funds (continued)

- (c) As at 30 June 2003, securities clearing fund contributors comprise: (continued)

As at 30 June 2003, all cash contributions are placed in interest bearing accounts with banks. Interest earned on the cash contributions by clearing members is credited to the clearing members while interest earned on the cash contributions by CDP is credited to CDP.

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

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

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

6. Available-for-sale investments

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Amounts under fund management (Note (a))	340,463	317,454	340,463	317,454
Other investments (Note (b))	16,061	17,983	–	–
	356,524	335,437	340,463	317,454

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

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Quoted bond investments, at fair value				
- government and public	127,015	164,511	127,015	164,511
- corporate	120,998	85,211	120,998	85,211
Unit trusts, at fair value	70,857	66,873	70,857	66,873
Cash				
- cash at bank	836	859	836	859
- fixed deposits with banks	20,757	–	20,757	–
	340,463	317,454	340,463	317,454

All the investments under external fund management were liquidated in July 2003 and a net loss of approximately \$3,000,000 was realised in the first quarter of financial year ending 30 June 2004.

- (b) Other investments comprise:

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Quoted bonds and debentures, at fair value				
- government and public	6,257	8,372	–	–
- corporate	9,804	9,611	–	–
	16,061	17,983	–	–



6. Available-for-sale investments (continued)

- (c) The interest bearing investments as at 30 June 2003 have the following average maturity terms and weighted yield to maturity:

	<u>The Group</u>	<u>The Company</u>
Average maturity (years)	4.33	4.50
Weighted yield to maturity (%)	2.56	2.41

7. Property, plant and equipment

	Freehold land \$'000	Freehold buildings \$'000	Leasehold land and buildings \$'000	Leasehold improvements \$'000	Furniture, fittings and office equipment \$'000	Computers \$'000	Motor vehicles \$'000	Work- in-progress** \$'000	Total \$'000
The Group									
<i>Cost</i>									
At 1 July 2002	17,478	8,261	214,862	25,693	8,545	114,194	1,091	7,655	397,779
Additions	–	–	–	7	72	2,043	–	16,057	18,179
Disposals	–	–	(78)	(4)	(11)	(269)	(320)	(2,248)	(2,930)
Reclassification	–	–	–	12,399	–	1,216	–	(13,615)	–
At 30 June 2003	<u>17,478</u>	<u>8,261</u>	<u>214,784</u>	<u>38,095</u>	<u>8,606</u>	<u>117,184</u>	<u>771</u>	<u>7,849</u>	<u>413,028</u>
<i>Accumulated depreciation</i>									
At 1 July 2002	–	1,917	1,915	13,524	6,461	90,870	748	–	115,435
Depreciation charge	–	265	2,823	4,665	623	13,624	192	–	22,192
Disposals	–	–	(1)	(1)	(7)	(194)	(319)	–	(522)
At 30 June 2003	<u>–</u>	<u>2,182</u>	<u>4,737</u>	<u>18,188</u>	<u>7,077</u>	<u>104,300</u>	<u>621</u>	<u>–</u>	<u>137,105</u>
<i>Accumulated impairment charge</i>									
Impairment charge during the financial year and balance at 30 June 2003	5,000	–	45,000	73	148	189	–	–	50,410
Net book value									
At 30 June 2003	<u>12,478</u>	<u>6,079</u>	<u>165,047</u>	<u>19,834</u>	<u>1,381</u>	<u>12,695</u>	<u>150</u>	<u>7,849</u>	<u>225,513</u>
At 30 June 2002	17,478	6,344	212,947	12,169	2,084	23,324	343	7,655	282,344

** Work-in-progress comprises system infrastructure under development and leasehold improvements.

7. Property, plant and equipment (continued)

	Freehold land \$'000	Freehold buildings \$'000	Leasehold improvements \$'000	Furniture, fittings and office equipment \$'000	Computers \$'000	Motor vehicles \$'000	Work- in-progress** \$'000	Total \$'000
<i>The Company</i>								
<i>Cost</i>								
At 1 July 2002	17,478	8,261	19,574	1,536	33,589	1,044	653	82,135
Additions	-	-	-	44	682	-	13,139	13,865
Intercompany transfer	-	-	-	(1)	(17)	-	-	(18)
Reclassification	-	-	11,424	-	660	-	(12,084)	-
Disposals	-	-	-	(2)	(35)	(320)	-	(357)
At 30 June 2003	17,478	8,261	30,998	1,577	34,879	724	1,708	95,625
<i>Accumulated depreciation</i>								
At 1 July 2002	-	1,917	7,588	1,105	23,405	707	-	34,722
Depreciation charge	-	265	4,508	141	5,221	185	-	10,320
Intercompany transfer	-	-	-	-	(10)	-	-	(10)
Disposals	-	-	-	(3)	(8)	(319)	-	(330)
At 30 June 2003	-	2,182	12,096	1,243	28,608	573	-	44,702
<i>Accumulated impairment charge</i>								
Impairment charge during the financial year and balance at 30 June 2003	5,000	-	-	-	-	-	-	5,000
Net book value								
At 30 June 2003	12,478	6,079	18,902	334	6,271	151	1,708	45,923
At 30 June 2002	17,478	6,344	11,986	431	10,184	337	653	47,413

** Work-in-progress comprises system infrastructure under development and leasehold improvements.

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

Brief description	Tenure	Net book value as at 30 June 2003 \$'000
Office building complex, SGX Centre, Singapore	99 years lease commencing from 13.11.1995	164,678
Industrial building, located at 18 New Industrial Road, Singapore	Freehold	18,557
Villa at Bintan Lagoon Golf and Beach Resort, Indonesia	26 years lease commencing from 14.06.1996	369

The Group and the Company own properties which are fully utilised by the Group. In view of the current weak property market, the directors deem it prudent to restate the fair value of the properties as at 30 June 2003 and the changes in fair value are charged to the income statements.



8. 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	
			2003 %	2002 %	2003 %	2002 %	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Singapore Exchange Securities Trading Limited	Conducting a securities exchange	Singapore	100	100	-	-	198,000	198,000	-	-
Singapore Exchange Derivatives Trading Limited	Conducting a 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, 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 **	Provide backroom outsourcing services to securities brokers	Singapore	-	-	51	51	-	-	6,367	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	100	-	-	1,000	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	-	-	#	#
							392,340	392,340	6,838	4,551

Less than \$1,000.

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

** Company will cease operations on 30 September 2003.

9. Investment in joint venture

	The Group	
	2003 \$'000	2002 \$'000
Cost of investment	940	940
Share of results	(662)	(572)
	<u>278</u>	<u>368</u>

The Group has a 50% interest in the joint venture company, American Stock Exchange - SGX Pte Ltd, held by the Company's subsidiary, SGX-ST. 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	
	2003 \$'000	2002 \$'000
Total assets	288	429
Total liabilities	(10)	(61)
Net assets	<u>278</u>	<u>368</u>
Income	<u>-</u>	<u>3</u>
Loss after tax for the financial year	<u>(90)</u>	<u>(123)</u>

10. Trade and other creditors

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Trade creditors (Note (a))	303,950	280,866	-	-
Other creditors (Note (b))	30,884	56,564	11,937	13,382
Amount due to subsidiaries (non-trade) (Note (c))	-	-	40,080	-
	<u>334,834</u>	<u>337,430</u>	<u>52,017</u>	<u>13,382</u>

- (a) Trade creditors comprise:
- Payables to clearing members -
daily settlements of accounts for
due contracts and rights
- Other trade creditors

297,564	275,799	-	-
6,386	5,067	-	-
<u>303,950</u>	<u>280,866</u>	<u>-</u>	<u>-</u>



10. Trade and other creditors (continued)

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(b) Other creditors comprise:				
Accrued operating expenses	8,126	16,897	4,169	3,327
Provision for SGX-MAS				
Market Development Scheme	3,750	–	–	–
Retention sums	–	13,370	–	–
Provision for bonus and Central Provident Fund	7,650	14,124	4,838	8,204
Interest payable to members	850	911	–	–
Advance receipts	3,005	4,300	12	18
Others (non-trade)	7,503	6,962	2,918	1,833
	30,884	56,564	11,937	13,382

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

11. Provision for surplus leased premises and unutilised leave

(a) Current

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Provision for surplus leased premises	4,325	2,184	3,435	1,344
Provision for unutilised leave (Note (c))	1,895	1,865	1,170	1,257
	6,220	4,049	4,605	2,601

(b) Non-current

Provision for surplus leased premises	5,675	4,816	4,434	3,549
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(c) Movements in provision for unutilised leave are as follows:

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Balance at the beginning of the financial year	1,865	–	1,257	–
Write-back during the financial year	(87)	–	(87)	–
Provision made during the financial year	117	1,865	–	1,257
Balance at the end of the financial year	1,895	1,865	1,170	1,257

11. Provision for surplus leased premises and unutilised leave (continued)

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

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Balance at the beginning of the financial year	7,000	–	4,893	–
Provision made during the financial year	3,000	7,000	2,976	4,893
Balance at the end of the financial year	<u>10,000</u>	<u>7,000</u>	<u>7,869</u>	<u>4,893</u>

12. Share capital of Singapore Exchange Limited

(a) Authorised ordinary share capital

	The Group and The Company	
	2003 \$'000	2002 \$'000
100 billion (2002: 100 billion) ordinary shares of \$0.01 (2002: \$0.01) each	<u>1,000,000</u>	<u>1,000,000</u>

(b) Issued and fully paid ordinary share capital

	The Group and The Company			
	2003 Number of shares '000	2002 Number of shares '000	2003 Paid up share capital \$'000	2002 Paid up share capital \$'000
Balance at the beginning of the financial year	1,000,000	1,000,000	10,000	10,000
Issue shares of \$0.01 each	3,014	–	30	–
Balance at the end of the financial year	<u>1,003,014</u>	<u>1,000,000</u>	<u>10,030</u>	<u>10,000</u>

(c) Outstanding options

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

	The Group and The Company	
	2003	2002
At beginning of year	30,296,000	20,290,000
Granted	17,091,000	10,870,000
Exercised	(3,014,000)	–
Lapsed	(750,000)	(864,000)
At end of year	<u>43,623,000</u>	<u>30,296,000</u>

12. Share capital of Singapore Exchange Limited (continued)

(c) Outstanding options (continued)

As at 30 June 2003, the outstanding options to subscribe for ordinary share of \$0.01 each were as follows:

(i) Options granted to ex-CEO

<u>Number of options for ordinary shares of \$0.01 each</u>	<u>Exercise price</u>	<u>Exercise period</u>
4,480,000	\$1.10	25.04.2001 to 24.04.2010
5,000,000	\$1.65	25.04.2001 to 24.04.2010
2,500,000	\$1.17	25.04.2002 to 24.04.2011
2,500,000	\$1.32	25.04.2003 to 24.04.2012
<hr/> 14,480,000 <hr/>		

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</u>	<u>Exercise price</u>	<u>Exercise period</u>
161,000	\$1.10	21.11.2002 to 20.11.2003
60,000	\$1.10	21.11.2002 to 13.03.2004
134,000	\$1.10	21.11.2002 to 29.06.2004
350,000	\$1.10	21.11.2002 to 29.06.2005
4,375,000	\$1.10	21.11.2002 to 20.11.2007
588,000	\$1.21	06.05.2003 to 29.06.2004
525,000	\$1.21	06.05.2003 to 29.06.2005
104,000	\$1.21	22.05.2003 to 29.06.2004
4,000	\$1.21	30.05.2003 to 29.06.2004
36,000	\$1.21	10.06.2003 to 29.06.2004
157,000	\$1.21	04.12.2003 to 03.12.2004
5,996,000	\$1.21	04.12.2003 to 03.12.2008
175,000	\$1.29	16.01.2004 to 15.01.2009
715,000	\$1.16	06.05.2003 to 29.06.2004
1,075,000	\$1.16	06.05.2003 to 29.06.2005
96,000	\$1.16	22.05.2003 to 29.06.2004
8,000	\$1.16	30.05.2003 to 29.06.2004
74,000	\$1.16	10.06.2003 to 29.06.2004
131,000	\$1.16	02.10.2004 to 01.10.2005
14,379,000	\$1.16	02.10.2004 to 01.10.2009
<hr/> 29,143,000 <hr/>		

12. Share capital of Singapore Exchange Limited (continued)

(d) Options exercised during the year

During the year ended 30 June 2003, 3,014,000 (2002: Nil) options were exercised as follows:

<u>Number of options for ordinary shares of \$0.01 each</u>	<u>Exercise price</u>	<u>Proceeds \$'000</u>	<u>Exercise month</u>
50,000	\$1.10	55	November 2002
185,000	\$1.10	204	December 2002
20,000	\$1.10	22	January 2003
453,000	\$1.10	498	February 2003
28,000	\$1.10	31	March 2003
463,000	\$1.10	509	April 2003
214,000	\$1.10	246	May 2003
20,000	\$1.16	12	May 2003
1,098,000	\$1.10	1,208	June 2003
375,000	\$1.16	435	June 2003
108,000	\$1.21	131	June 2003
<u>3,014,000</u>		<u>3,351</u>	

(e) Options committed to chief executive officer

A minimum of 2 million share options will be granted to the chief executive officer, Hsieh Fu Hua, for each completed year of service with the Company. These share options to be issued will be subjected to the Rules of the SGX Share Option Plan, except that the share options will be exercisable through the seventh anniversary date of grant should he leave the Company at the end of his 3-year contract.

(f) Potential gains for option holders

If all the outstanding in-the-money share options are fully exercised on 30 June 2003, the Group would have received \$45,047,330 in proceeds. The market value of the resultant shares issued, based on the closing price of \$1.37 per share on that date would be \$52,913,510 and the options holder would have had a gain of \$0.20 per share, or, in aggregate \$7,866,180.

13. Profit/(loss) from operating activities

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<u>Profit/(loss) from operating activities</u> <u>is arrived at after:</u>				
<i>Charging:</i>				
Audit services by auditors of the Company				
- current year	487	432	150	150
- (over)/underprovision in prior year	(49)	40	17	(5)
Other services by auditors of the Company	209	196	89	70
Depreciation of property, plant and equipment				
- Freehold building	265	265	265	265
- Leasehold land and buildings	2,823	1,888	-	-
- Leasehold improvements	4,665	2,515	4,508	2,313
- Furniture, fittings and office equipment	623	708	141	225
- Computers	13,624	17,921	5,221	6,644
- Motor vehicles	192	224	185	211
Write-off of property, plant and equipment	2,405	635	28	623
Directors' fees				
- of the Company	370	286	370	286
Directors' remuneration				
- of the Company	2,896	3,532	2,896	3,532
- of the subsidiaries	3,735	2,212	-	-
Net foreign exchange loss	100	72	-	22
Rental expenses - operating leases	11,672	11,171	9,357	7,312
Provision for doubtful trade debts	195	514	-	-
Bad debts written off (trade)	43	4	-	-
Provision for unutilised leave	117	1,865	-	1,257
Impairment loss on plant and equipment	410	-	-	-
Provision for surplus leased premises	3,000	7,000	2,976	4,893
Provision for SGX-MAS Market Development Scheme	3,750	-	-	-
<i>And crediting:</i>				
Gain on disposal of property, plant and equipment	234	-	117	25
Bank interest income	2,271	3,778	96	587
Write-back of provision for doubtful trade debts	97	-	-	-
Write-back of provision for unutilised leave	87	-	87	-

14. Net non-operating revenue

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Investment gains/(losses) (Note (a))	23,085	16,029	22,258	15,176
Interest income, other income and expenses (Note (b))	2,321	3,853	106	642
	25,406	19,882	22,364	15,818
(a) Investment gains/(losses)				
Net gains from fund management				
- interest income	8,268	6,448	8,268	6,448
- gain on disposals	3,208	2,861	3,208	2,861
- unrealised gain on revaluation	32,733	9,384	32,733	9,384
- net loss on currency hedging	(21,151)	(2,852)	(21,151)	(2,852)
- others	(800)	(665)	(800)	(665)
	22,258	15,176	22,258	15,176
Interest income from bonds and debentures	749	881	-	-
Loss on redemption of investments	(109)	(44)	-	-
Unrealised gain on revaluation of investments	187	16	-	-
	23,085	16,029	22,258	15,176
(b) Interest income, other income and expenses				
Fixed deposits with banks	872	2,617	18	535
Bank interest income	1,399	1,161	78	52
Sundry income	50	103	10	83
Write down of value of club memberships	-	(28)	-	(28)
	2,321	3,853	106	642

15. Taxation

(a) Tax expense

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Tax expense attributable to profit is made up of:				
- current tax	15,535	18,694	-	2,270
- deferred tax	3,572	1,345	4,606	1,763
	19,107	20,039	4,606	4,033
(Over)/underprovision in preceding financial years				
- current tax	245	(2,129)	-	367
- deferred tax	(4,746)	800	119	800
	14,606	18,710	4,725	5,200



15. 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:

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Profit before tax and share of results of joint venture	27,502	77,097	14,490	11,752
Tax calculated at a tax rate of 22% (2002: 22%)	6,050	16,961	3,188	2,585
Singapore statutory income exemption	(78)	(90)	(12)	(13)
Effect of different tax rates on income	–	(46)	–	–
Income not subject to tax	(1,881)	(1,415)	–	–
Expenses not deductible for tax purposes	13,408	2,614	1,430	1,461
Deferred tax asset not recognised	1,608	2,015	–	–
	19,107	20,039	4,606	4,033

(c) Movements in provision for taxation

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Balance at the beginning of the financial year	19,817	22,301	2,119	1,228
Income tax recovered/(paid)	(19,772)	(17,385)	(2,595)	95
Current financial year's tax expense on profit	15,535	18,694	–	2,270
Transfer to tax recoverable	472	222	476	–
(Over)/underprovision in preceding financial years	245	(2,129)	–	367
Transfer to deferred tax liabilities	–	(2,020)	–	(1,841)
Tax on income from fidelity fund	78	134	–	–
Balance at the end of the financial year	16,375	19,817	–	2,119

(d) Tax recoverable

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Balance at the beginning of the financial year	222	–	–	–
Transfer from provision for taxation account	472	222	476	–
Balance at the end of the financial year	694	222	476	–

15. Taxation (continued)

(e) Deferred income tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The Group

Deferred tax liabilities

	<u>Accelerated tax depreciation</u> \$'000	<u>Unrealised revaluation gains on investments</u> \$'000	<u>Total</u> \$'000
At 30 June 2002	4,248	2,279	6,527
Charged/(credited) to income statement	(2,243)	6,405	4,162
Underprovision in preceding financial years	54	–	54
At 30 June 2003	<u>2,059</u>	<u>8,684</u>	<u>10,743</u>

Deferred tax assets

	<u>Capital allowances</u> \$'000	<u>Tax losses</u> \$'000	<u>Total</u> \$'000
At 30 June 2002	–	–	–
Charged/(credited) to income statement	–	(590)	(590)
Underprovision in preceding financial years	(4,800)	–	(4,800)
At 30 June 2003	<u>(4,800)</u>	<u>(590)</u>	<u>(5,390)</u>

Net deferred tax liabilities

5,353

The Company

Deferred tax liabilities

	<u>Accelerated tax depreciation</u> \$'000	<u>Unrealised revaluation gains on investments</u> \$'000	<u>Total</u> \$'000
At 30 June 2002	2,125	2,279	4,404
Charged/(credited) to income statement	(1,178)	6,374	5,196
Underprovision in preceding financial years	119	–	119
At 30 June 2003	<u>1,066</u>	<u>8,653</u>	<u>9,719</u>

Deferred tax assets

	<u>Tax losses</u> \$'000
At 30 June 2002	–
Charged/(credited) to income statement	(590)
At 30 June 2003	<u>(590)</u>
Net deferred tax liabilities	<u>9,129</u>



15. Taxation (continued)

(f) Exempt income from derivatives subsidiaries

Under the Income Tax (Exemption of Income of Futures Market of the Singapore Exchange) Rules 2003 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 until 31 December 2003.

16. Earnings per share

	The Group	
	2003 \$'000	2002 \$'000
Profit after tax and minority interests, before exceptional item	66,001	60,906
Profit after tax and minority interests, after exceptional item	16,001	60,906
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	1,000,335	1,000,000
Adjustment for assumed conversion of share options ('000)	1,708	971
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,002,043	1,000,971

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.

17. Directors and employees information

(a) Employees remuneration

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Salary and wages	58,693	65,503	35,801	38,767
Employer's contribution to Central Provident Fund	7,057	8,850	4,237	5,202
Retrenchment benefits	4,325	412	2,293	374
	70,075	74,765	42,331	44,343

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

17. Directors and employees information (continued)

(b) The number of employees as at 30 June 2003 was 809 (2002: 841), including 68 (2002: 80) employees of Asia Converge Pte Ltd.

(c) Remuneration of directors

	<u>The Group</u>		<u>The Company</u>	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Directors' fees				
- of the Company	370	286	370	286
Directors' remuneration				
- of the Company	2,896	3,532	2,896	3,532
- of the subsidiaries	3,735	2,212	-	-
	7,001	6,030	3,266	3,818

(d) 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. However, share options are excluded.

18. Dividends

	<u>The Group and The Company</u>	
	2003 \$'000	2002 \$'000
Interim gross dividends of 3.00 cents per share net of tax at 22% paid (2002: 2.904 cents net of tax at 22%)	23,416	22,650
Proposed final gross dividends of 3.50 cents per share net of tax at 22% (2002: 4.396 cents net of tax at 22%)	27,382	34,289
Proposed special gross dividends of 34.00 cents per share net of tax at 22% (2002: Nil)	265,999	-
	316,797	56,939

The directors have proposed a final and special gross dividend for 2003 of 3.50 cents per share and 34.00 cents per share respectively amounting to a total of \$293,381,000 net of tax at 22%. These financial statements do not reflect these dividend payable which is accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ended 30 June 2003.

19. Segment information

2003	Securities Market \$'000	Derivatives Market \$'000	Other Operations \$'000	The Group \$'000
SEGMENT REVENUE				
External revenue	140,316	63,273	14,915	218,504
Inter-segment revenue	3,132	2,349	75,603	81,084
	<u>143,448</u>	<u>65,622</u>	<u>90,518</u>	<u>299,588</u>
Less: Consolidation elimination	(3,132)	(2,349)	(75,603)	(81,084)
	<u>140,316</u>	<u>63,273</u>	<u>14,915</u>	<u>218,504</u>
RESULTS				
Segment results	80,743	16,215	7,221	104,179
Unallocated costs				(52,083)
Operating profit before tax				<u>52,096</u>
Interest income and other non-operating revenue				25,406
Share of results of joint venture	(90)	-	-	(90)
Exceptional item - Impairment loss on properties				(50,000)
Income taxes				(14,606)
Net profit after tax				<u>12,806</u>
Minority interests				3,195
Profit attributable to shareholders				<u>16,001</u>
OTHER INFORMATION				
Segment assets	712,244	171,749	2,560	886,553
Unallocated assets				291,588
Consolidated total assets				<u>1,178,141</u>
Segment liabilities	323,993	10,220	1,334	335,547
Unallocated liabilities				42,512
Consolidated total liabilities				<u>378,059</u>
Capital expenditure				
- Allocated	1,586	2,582	245	4,413
- Unallocated				13,766
				<u>18,179</u>
Depreciation				
- Allocated	6,997	4,216	659	11,872
- Unallocated				10,320
				<u>22,192</u>
Exceptional item - Impairment loss on properties	23,068	21,932	5,000	<u>50,000</u>
Impairment loss on plant and equipment	-	-	410	<u>410</u>

19. Segment information (continued)

<u>2002</u>	Securities <u>Market</u> \$'000	Derivatives <u>Market</u> \$'000	Other <u>Operations</u> \$'000	<u>The Group</u> \$'000
SEGMENT REVENUE				
External revenue	155,259	58,130	15,320	228,709
Inter-segment revenue	632	3,004	81,709	85,345
	<u>155,891</u>	<u>61,134</u>	<u>97,029</u>	<u>314,054</u>
Less: Consolidation elimination	(632)	(3,004)	(81,709)	(85,345)
	<u>155,259</u>	<u>58,130</u>	<u>15,320</u>	<u>228,709</u>
RESULTS				
Segment results	86,807	10,178	3,017	100,002
Unallocated costs				<u>(42,787)</u>
Operating profit before tax				57,215
Interest income and other non-operating revenue				19,882
Share of results of joint venture	(123)	–	–	(123)
Income taxes				<u>(18,710)</u>
Net profit after tax				58,264
Minority interests				<u>2,642</u>
Profit attributable to shareholders				<u>60,906</u>
OTHER INFORMATION				
Segment assets	681,072	198,326	18,608	898,006
Unallocated assets				<u>321,632</u>
Consolidated total assets				<u>1,219,638</u>
Segment liabilities	312,740	17,913	5,748	336,401
Unallocated liabilities				<u>45,386</u>
Consolidated total liabilities				<u>381,787</u>
Capital expenditure				
- Allocated	3,641	1,016	3,799	8,456
- Unallocated				<u>19,494</u>
				<u>27,950</u>
Depreciation				
- Allocated	8,329	4,927	607	13,863
- Unallocated				<u>9,658</u>
				<u>23,521</u>

The Group operates only in Singapore.



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

Segment liabilities comprise mainly 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.

20. Securities and derivatives fidelity funds

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

	2003	2002
	\$'000	\$'000
Securities exchange fidelity fund	31,401	31,128
Derivatives exchange fidelity fund	21,049	20,785
	52,450	51,913

20. Securities and derivatives fidelity funds (continued)

The purpose of the fidelity funds is to compensate any person (other than an accredited investor) who has suffered a pecuniary loss from any defalcation committed:

- (a) in the course of, or in connection with, a dealing in securities, or the trading of a futures contract;
- (b) by a member of a securities exchange or a futures exchange or by any agent of such member; and
- (c) in relation to any money or other property entrusted to or received:
 - (i) by that member or of its agents; or
 - (ii) by that member or any of its agents as trustee or on behalf of the trustees of that money or property.

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 Securities and Futures 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 Securities and Futures Act has been reached.

	2003	2002
	\$'000	\$'000
The assets of the securities and derivatives fidelity funds comprise:		
Fixed deposits with banks	47,381	46,749
Quoted bonds, at cost	5,000	5,000
Interest receivable	157	302
Bank balance	216	126
	52,754	52,177
The liabilities of the securities and derivatives fidelity funds comprise:		
Other creditors and accruals	6	6
Provision for taxation	69	106
Due to general fund	211	134
Deferred tax liabilities	18	18
	304	264
Net assets of securities and derivatives fidelity funds	52,450	51,913

The assets and liabilities of the fidelity funds are not included in the Group's balance sheet due to the trust nature of the fidelity funds.

21. SGX-DC Common bond system

The rules of the derivatives clearing subsidiary, Singapore Exchange Derivatives Clearing Limited ("SGX-DC"), enable SGX-DC to mobilise substantial resources to meet any liabilities should a derivatives clearing member become insolvent and be unable to pay its full losses to SGX-DC. The resources available to SGX-DC would be utilised in the following priority:

- (a) the defaulting derivatives clearing member's margin deposits, security deposits, letters of credit and/or all other assets and securities of that derivatives clearing member;



21. SGX-DC Common bond system (continued)

- (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 established by SGX-DT (Note 22);
- (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).

22. SGX-DT Compensation Fund

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

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

	2003 \$'000	2002 \$'000
The assets of the Fund comprise:		
Fixed deposits	22,809	22,589
Bank balances	359	203
Quoted bonds, at cost	6,999	6,999
Government securities, at cost	1,514	1,518
Interest receivable	134	151
	<u>31,815</u>	<u>31,460</u>
The liabilities of the Fund comprise:		
Other creditors and accruals	7	6
Provision for taxation	114	180
Deferred tax liabilities	34	38
	<u>155</u>	<u>224</u>
Net assets	<u>31,660</u>	<u>31,236</u>

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

23. Contingent liabilities

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

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

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

Clearing members must also provide collateral in the form acceptable to SGX-DC as margin funds to guarantee the performance of the obligations associated with futures or option positions. The total margins required by SGX-DC at 30 June 2003 were approximately \$1,661,315,000 (2002: \$1,211,924,000).

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

	2003 \$'000	2002 \$'000
Security deposits		
Cash	26,837	23,479
Irrevocable letters of credit	39,420	48,064
Margin funds		
Cash	2,085,074	1,509,040
Quoted government securities	493,009	623,089
Irrevocable letters of credit	186,539	142,336

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

None of these amounts have been recorded as assets and corresponding liabilities in the consolidated balance sheet of the Group.

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

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Unsecured guarantees by the derivatives clearing subsidiary to banks for standby letters of credit issued by the banks to Chicago Mercantile Exchange for members' open positions on these exchanges. These guarantees are supported by members' margin deposits as set out above.	107,348	66,142	-	-
Standby line of credit provided by CDP to the Clearing Fund to be utilised in accordance with CDP's Clearing Rules (see note 5)	75,000	75,000	-	-
Unsecured guarantees by the Company in respect of obligations of a subsidiary	5,618	4,805	5,618	4,805
	187,966	145,947	5,618	4,805

24. Commitments for expenditure

(a) 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:

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Not later than one financial year	11,804	14,043	7,078	13,156
Later than one financial year but not later than five financial years	18,526	26,619	11,728	24,838
	30,330	40,662	18,806	37,994
Total contracted sublease income receivable	(4,504)	–	(2,516)	–
Net lease commitments	25,826	40,662	16,290	37,994

In respect of non-cancellable operating leases, the dollars provisions have been recognised:

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Surplus leased premises (Note 11)	10,000	7,000	7,869	4,893

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.

(b) Other expenditure commitments

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Fees payable from 1 July 2003 to the Monetary Authority of Singapore for assumption of inspection function	11,500	–	11,500	–

25. 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.

26. Financial risk management

(a) 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.

(b) 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.

(c) Counterparty and credit risk

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

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.

(d) 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.

27. Financial instruments

(a) Financial derivatives contracts

There were no net open positions as at 30 June 2003 (2002: nil).

(b) Net fair value 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 11 September 2003.

LIEW MUN LEONG
President and CEO
CapitaLand Limited

“CapitaLand successfully launched CapitaMall Trust, the first REIT in Singapore last year. Within a year it has performed very well both in terms of capital growth and yield return. Investors, both institutional and retail, are beginning to understand this new financial product and its merits. A track record has been established for the REIT market in Singapore. This is a testimony to the innovativeness and responsiveness of SGX in introducing new products to meet investor need.”



Shareholder information

HUGH YOUNG
Managing Director
Aberdeen Asset Management Asia

“ We relocated all our Asian asset management activities from Europe to Singapore precisely because of the regard we hold for its regulator and the Singapore Exchange. ”

SINGAPORE
EXCHANGE



Investor relations

SGX's investor relations (IR) programme is underpinned by our commitment to uphold high standards of corporate governance, and to protect our shareholders' interests and enhance shareholder value. SGX recognises that an effective IR programme is key to building investor confidence, sustaining long-term relationships with our shareholders and attracting new investors.

SGX's IR programme is guided by two principles:

- timely and effective communication, and
- relationship management.

Timely and effective communication

This is crucial to enable our shareholders and investors to make a balanced and informed assessment of SGX. Measures we have undertaken include:

Quarterly reporting

SGX has adopted quarterly reporting since its listing in November 2000. Our financial statements contain full disclosure of our cashflow position, segment information and results for both the Group and the Company. This is part of our effort to go beyond the regulatory requirements and make the Exchange's financial position as transparent as possible.

Joint analysts and media briefings

Joint briefings for analysts and media after the market closes on the day that interim and full year results are released. SGX's senior management provides in-depth analysis of the year's performance. There is also ample opportunity for analysts and media to ask questions and interact with senior management.



Webcasts

All the results briefings are webcast live. The webcast has an interactive function which enables viewers to pose questions to senior management during the live presentation. The webcast is subsequently archived on the Exchange's website for shareholders, investors, analysts and media to view at their convenience.

IR webpage

A dedicated IR page on SGX's website provides a convenient access point for shareholders, investors, analysts and media seeking specific information. The page includes SGX's results announcements, financial statements, webcasts, presentation slides, annual reports, news releases, and a ticker providing real-time information on SGX's stock performance. The webpage is being revamped to make the information more comprehensive and the layout easier to navigate.

Relationship management

Proactive relationship management is critical to maintaining good relationships. It sustains the confidence and trust of our shareholders, investors and analysts. It provides them with the assurance that SGX is transparent about its activities and that management decisions are guided by discipline and integrity. It also facilitates a constructive dialogue, allowing feedback on SGX's initiatives and general market developments and trends. Measures undertaken include:

- Regular one-on-one meetings and conference calls with shareholders, investors and analysts to keep them abreast of SGX developments, and to seek feedback on SGX initiatives and market trends;
- Easy and direct access to management as appropriate;
- Active participation in international investor conferences and seminars;
- Annual Asia, Europe and US roadshows; and
- Ad hoc meetings with overseas investors on the back of business trips by members of Exco.

Investor relations calendar

15 Aug 2002	FY2002 full year results, analyst and media briefing, and webcast
9-11 Sep 2002	Deutsche Securities Singapore Mid-Caps roadshow, London and Edinburgh
12 Sep 2002	Release of SGX FY2002 Annual Report
12-13 Sep 2002	New York roadshow
4 Oct 2002	Annual General Meeting
17-18 Oct 2002	Nomura Investor Conference, Tokyo
22 Oct 2002	Payment of final dividends declared for FY2002
29-30 Oct 2002	Merrill Lynch 5th Asia-Pacific Financial Services Conference, Singapore
15 Nov 2002	FY2003 1st quarter results
21 Feb 2003	FY2003 half year results, analyst and media briefing, and webcast
20 Mar 2003	Morgan Stanley Asia Pacific Conference
26 Mar 2003	Milan roadshow
20-21 May 2003	CLSA 1st Virtual Odyssey

Investor recognition

SGX has earned recognition from investors for its IR efforts. In Asiamoney's 2nd Annual Corporate Governance Survey published in September 2003, SGX ranked 1st in Singapore and 6th in Asia in the diversified financials sector. In January 2003, Asiamoney's poll of institutional investors saw SGX among the top 6 companies for IR in Singapore. SGX was also among the top ten Singapore companies commended by CFO Asia in its evaluation of annual reports by companies in Asia-Pacific.

SGX share performance

SGX maintained a strong share price in FY2003, and consistently outperformed the local sectoral indices and the market benchmark index, Straits Times Index (STI). For FY2003, SGX's share price reached a high of S\$1.45 in June 2003. See page 5 for the SGX share performance chart.

NG KOK SONG
Managing Director (Public Markets)
Government of Singapore
Investment Corporation

“ The Nikkei 225 and other global derivatives products offered by SGX has helped GIC immensely in implementing asset and country allocation shifts in our international investment operations.”



Financial calendar

Financial year 2003

1st quarter results	15 November 2002
Half year results	21 February 2003
3rd quarter results	14 May 2003
Full year results	11 September 2003
Annual General Meeting	22 October 2003
Proposed final dividend	
Books closure date	30 October 2003
Dividend payment date	12 November 2003

Financial year 2004

1st quarter results	28 October 2003
Half year results	15 January 2004
3rd quarter results	8 April 2004
Full year results	29 July 2004
Annual General Meeting	9 September 2004
Proposed final dividend	
Books closure date	16 September 2004
Dividend payment date	30 September 2004

Shareholding statistics

As at 1 September 2003

Authorised Share Capital	: \$1,000,000,000
Issued and Paid-up Capital	: \$10,117,770
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	55	0.51	19,198	0.00
1,000 - 10,000	9,138	84.63	30,123,321	2.98
10,001 - 1,000,000	1,576	14.59	117,346,529	11.60
1,000,001 and above	29	0.27	864,287,952	85.42
Total	<u>10,798</u>	<u>100.00</u>	<u>1,011,777,000</u>	<u>100.00</u>

Twenty largest shareholders

No.	Name	No. of Shares	%
1	SEL Holdings Pte Ltd ¹	249,991,184	24.71
2	Raffles Nominees Pte Ltd	219,619,585	21.71
3	DBS Nominees Pte Ltd	117,712,683	11.63
4	Citibank Nominees Singapore Pte Ltd	65,304,968	6.45
5	United Overseas Bank Nominees Pte Ltd	44,654,076	4.41
6	HSBC (Singapore) Nominees Pte Ltd	44,120,904	4.36
7	DB Nominees (Singapore) Pte Ltd	20,081,559	1.98
8	UOB Kay Hian Pte Ltd	18,562,452	1.83
9	Phillip Securities Pte Ltd	12,924,489	1.28
10	Kim Eng Securities Pte Ltd	12,464,575	1.23
11	Morgan Stanley Asia (Singapore) Securities Pte Ltd	7,380,667	0.73
12	Citicorp Investment Bank (Singapore) Limited	6,000,000	0.59
13	Oversea-Chinese Bank Nominees Pte Ltd	5,963,840	0.59
14	Citigroup Global Markets Singapore Securities Pte Ltd	5,927,272	0.59
15	Nomura Securities Singapore Pte Ltd	3,814,000	0.38
16	G K Goh Stockbrokers Pte Ltd	3,379,931	0.33
17	Leong Khuen Nyeon	3,308,000	0.33
18	The Asia Life Assurance Society Ltd - Singapore Life Fund	2,993,000	0.30
19	OCBC Securities Private Ltd	2,719,000	0.27
20	DBS Vickers Securities (S) Pte Ltd	2,483,000	0.25
	Total	<u>849,405,185</u>	<u>83.95</u>

Based on information available to the Company as at 1 September 2003, approximately 83.95% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

¹ 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.

Notice of annual general meeting and books closure date

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of Singapore Exchange Limited will be held at 2 Shenton Way, SGX Centre 1, 2nd Level, SGX Auditorium, Singapore 068804 on 22 October 2003 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 2003 with the Auditors' Report thereon.

Resolution 2

To re-elect the following Directors retiring under Article 104 of the Company's Articles of Association (the "Articles") and who, being eligible, offer themselves for re-election:

- a) Mr Hsieh Fu Hua
- b) Mr Tang Wee Loke

Resolution 3

To re-elect the following Directors retiring by rotation under Article 99 of the Articles and who, being eligible, offer themselves for re-election:

- a) Mr Joseph Yuvaraj Pillay
- b) Mr Richard Gnodde

To note the retirement of Mr Hidetoshi Mine and Mr Robert Stein, who will retire by rotation pursuant to Article 99 of the Articles and who have decided not to seek re-election.

Resolution 4

To appoint the following Directors to fill the vacancies arising from the retirement of Mr Hidetoshi Mine and Mr Robert Stein:

- a) Mr Ng Kee Choe
- b) Mr Loh Boon Chye

The biodata of Mr Ng Kee Choe and Mr Loh Boon Chye is found in the "Proposed Directors" section of the Annual Report.

Resolution 5

To appoint Mr Geoffrey Wong as a Director pursuant to Article 104 of the Articles.

The biodata of Mr Geoffrey Wong is found in the "Proposed Directors" section of the Annual Report.

To note the resignation of Mr George Teo Eng Kim as a Director with effect from the close of the Fourth Annual General Meeting.

Resolution 6

To approve the amount of S\$370,100 proposed as Directors' fees.

Resolution 7

To declare a gross final dividend of S\$0.035 per share less income tax of 22% for the financial year ended 30 June 2003.

Resolution 8

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 9

That pursuant to the provisions of Section 161 of the Companies Act, Chapter 50 (the "Act") but subject otherwise to the provisions of the Act and the Articles, authority be and is hereby given to the Directors of the Company to issue shares in 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 the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued share capital of the Company for the time being, 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 for the time being, and, unless revoked or varied by the Company in general meeting, such authority 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 10

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 per cent. of the total issued share capital of the Company from time to time.

3) To transact any other business.

By Order Of The Board



Joyce Fong Foong Chao (Ms)
Company Secretary
26 September 2003

Statement pursuant to article 59 of the company's articles of association

Resolution 9 is to authorise the Directors of the Company from the date of that meeting until the next Annual General Meeting to issue or agree to issue shares in the Company up to an amount not exceeding 50% of the issued share capital of the Company for the time being of which the total number of shares to be issued other than a pro rata basis to shareholders of the Company does not exceed 20% of the issued share capital of the Company for the time being.

Resolution 10 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 per cent. 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, subject to the approval of the shareholders to the final dividend at the Annual General Meeting, the Register of Members and the Transfer Books of the Company will be closed from 30 October 2003 after 5.00 p.m. to 31 October 2003, both dates inclusive, for the preparation of dividend warrants. The Register of Members and the Transfer Books will re-open on 3 November 2003. Duly completed registered transfers of ordinary shares of S\$0.01 each in the capital of the Company received by the Company's Share Registrar, Lim Associates (Pte) Ltd, at 10 Collyer Quay #19-08 Ocean Building, Singapore 049315 before 5.00 p.m. on 30 October 2003, will be registered in the Register of Members and the Transfer Books of the Company to determine shareholders' entitlements to the final dividend. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the final dividend will be paid by the Company to CDP which will, in turn distribute the entitlements to the final dividend to CDP account holders in accordance with its normal practice.

The final dividend, if approved by shareholders, will be paid on 12 November 2003.

Copies of summary annual report and annual report

The Summary Annual Report containing this Notice of Annual General Meeting will be despatched to all SGX shareholders on 26 September 2003. Shareholders who want a copy of the full Annual Report may request it by a pre-paid request form found in the Summary Annual Report.

The Annual Report will be available on SGX's website www.sgx.com

NOTE:

This notice of AGM dated 26 September 2003 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.