

BUILDING AN ENDURING MARKETPLACE



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MISSION

SGX OFFERS A COMPREHENSIVE AND EFFICIENT INFRASTRUCTURE FOR RAISING CAPITAL, AND FOR INVESTORS TO TRANSACT AND CLEAR FINANCIAL PRODUCTS. AS A LEADING MARKETPLACE, WE STRIVE TO CONTINUALLY INNOVATE AND PROVIDE OUR CUSTOMERS WITH CONVENIENT ACCESS, QUALITY PRODUCTS AND THE BEST PRICE DISCOVERY AT A COMPETITIVE COST WHILE SEEKING TO CREATE VALUE FOR OUR SHAREHOLDERS.

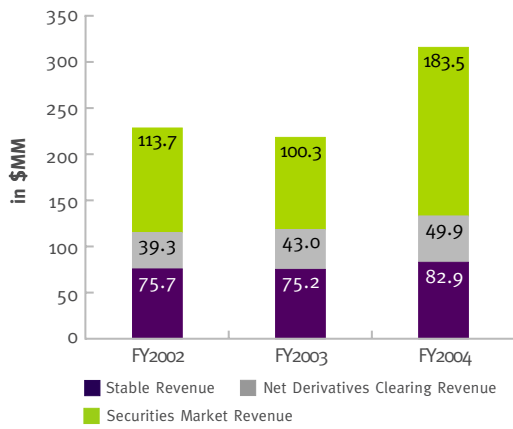


GROUP FINANCIAL HIGHLIGHTS

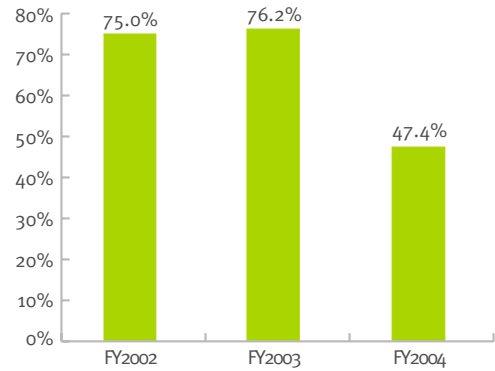
In Singapore dollars

	FY2004	FY2003	FY2002
For the Year (in \$ million)			
Operating Revenue	316	219	229
Operating Expenses	150	166	171
EBITDA	185	50	101
Operating Profit	166	52	57
Non-Operating Revenue	0	25	20
Net Profit Attributable to Shareholders	133	16	61
Operating Cashflow Before Dividends Paid	189	56	79
At Year-End (in \$ million)			
Net Current Assets	418	585	566
Total Assets	1,004	1,183	1,220
Total Liabilities	363	383	382
Shareholders' Funds			
- Share Capital	10	10	10
- Reserves	630	789	827
Shares Issued (in million)	1,029	1,003	1,000
For the Year			
Revenue Growth	44.8%	(4.5%)	5.4%
Operating Profit Margin	52.6%	23.8%	25.0%
Net Profit Margin	42.0%	5.3%	23.4%
Cost-to-Income Ratio	47.4%	76.2%	75.0%
Return on Shareholders' Funds	20.8%	2.0%	7.3%
Per Share Data			
Operating Cashflow (in cents)	18.40	5.60	7.92
Basic Earnings (in cents)	13.02	1.60	6.09
Net Tangible Assets (in cents)	62.22	79.69	83.66
Dividend:			
(a) Gross Ordinary (in cents)	7.000	6.500	7.300
(b) Net Ordinary (in cents)	5.600	5.070	5.694
(c) Gross Special (in cents)	6.500	34.000	-
(d) Net Special (in cents)	5.200	26.520	-
Average Share Price (in \$)	1.67	1.22	1.19
Share Price at Financial Year-End (in \$)	1.68	1.37	1.16

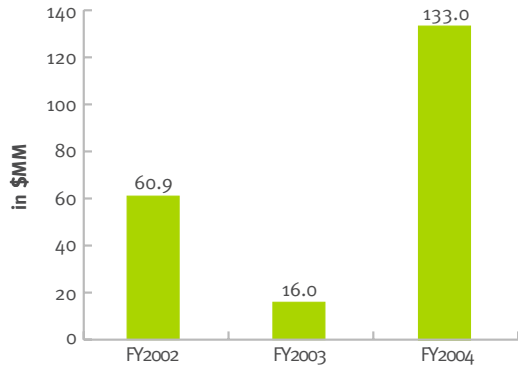
Strong Stable Revenue Leveraged to Market Recovery



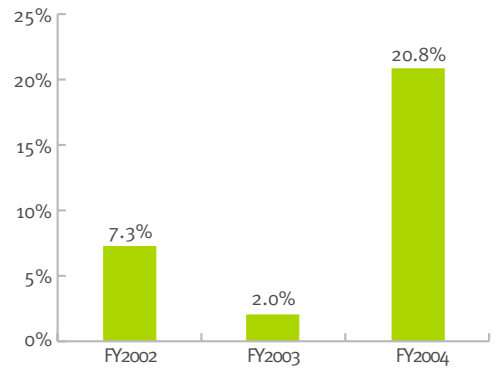
Improving Cost-to-Income Ratio



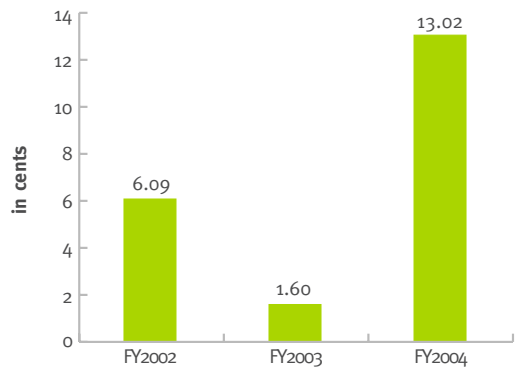
Record Earnings for FY2004



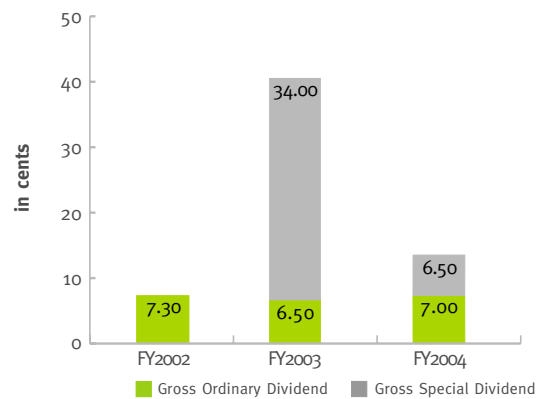
Strong Return on Shareholders' Funds for FY2004



Higher Basic Earnings Per Share for FY2004



Attractive Gross Dividend Per Share



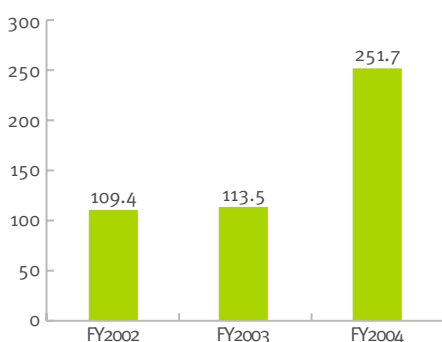
PERFORMANCE HIGHLIGHTS

In Singapore dollars

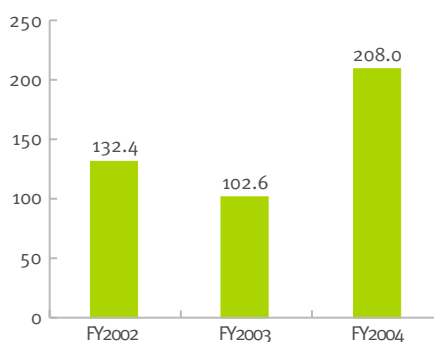
Securities Market

Performance in FY2004 Compared to FY2003 and FY2002

Trading Volume (billions of shares)



Turnover Value (\$ billion)



Accounts Held with The Central Depository (as at 30 June 2004)

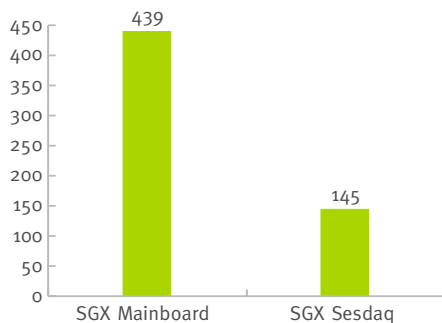
No. of accounts : 1.2 million
 No. of shares in accounts : 350.5 billion
 Value of shares in accounts : \$208.0 billion

New Listings in FY2004

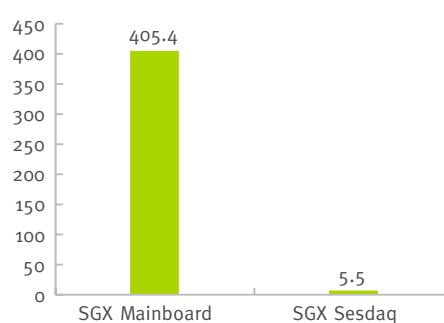
Number : 70
 Amount raised : \$1.8 billion

Listed Companies and their Market Capitalisation (as at 30 June 2004)

No. of Companies: 584



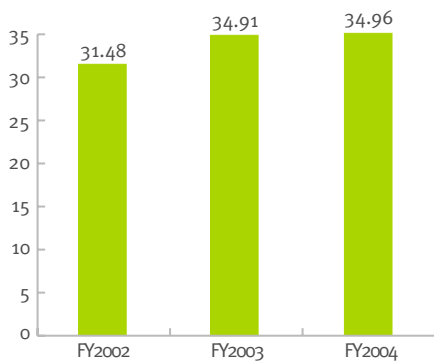
Market Capitalisation: \$410.9 Billion



Derivatives Market

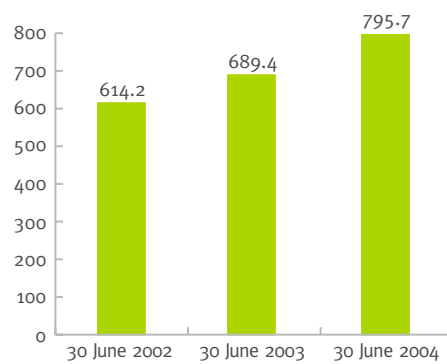
Trading Volume

Trading Volume (millions of contracts)

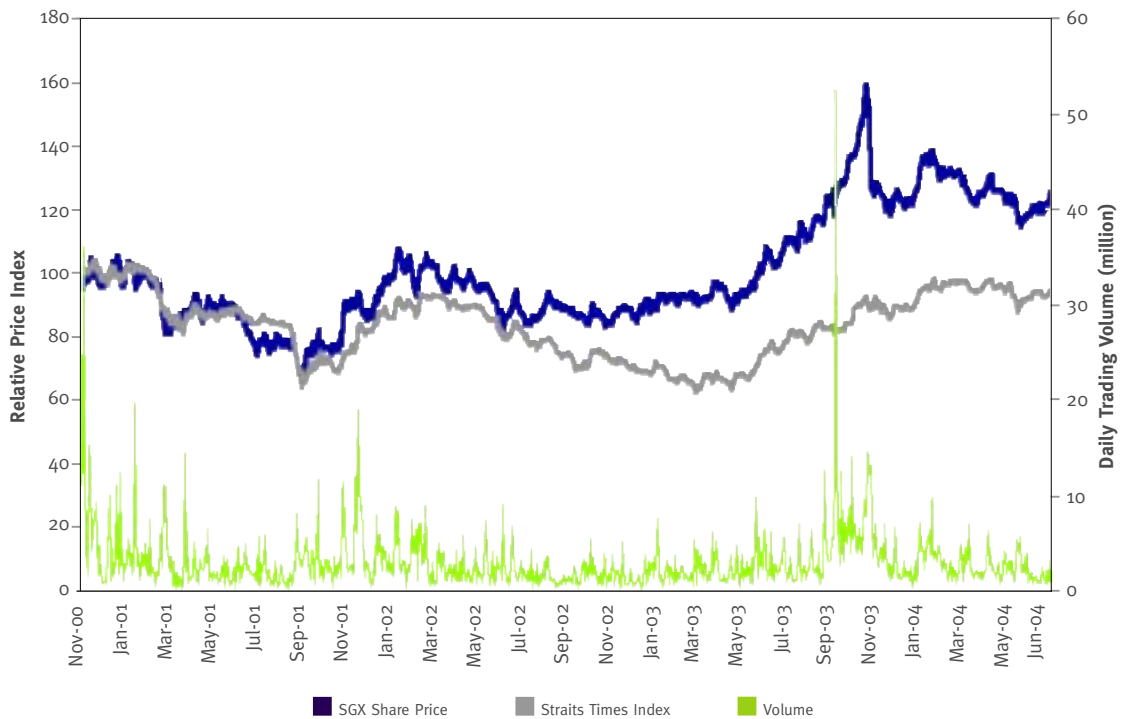


Open Interest

Open Interest (thousands of contracts)



SGX Share Performance



HIGHLIGHTS OF THE YEAR

5 August 2003

Launched CDP Phone Service to provide CDP direct account holders instant access to their shareholding information and IPO application results.

27 August 2003

Signed memorandum of understanding with the Stock Exchange of Thailand to explore co-operation in areas such as joint promotion and marketing, and information sharing.

1 September 2003

Adopted a new organisation structure that is customer-driven.

29 September 2003

Introduced the SGX-MAS Research Incentive Scheme to enhance the research coverage of stocks listed on SGX.

1 October 2003

Introduced an order management system, SGXTrade, to facilitate brokers' adoption of SGXAccess, which enables them and their customers to trade the SGX securities market from anywhere in the world.

10 November 2003

Introduced the trading halt feature to enhance the securities market and improve transparency and price discovery. Issuers may request for a trading halt, a short trading stoppage which could be used for disseminating material information during market hours.

20 November 2003

Renewed the Mutual Offset System agreement with the Chicago Mercantile Exchange to enable around-the-clock trading of leading interest rate derivatives on the two exchanges.

1 December 2003

Amended securities trading rules, following public consultations, to enhance market transparency and better meet the changing needs of the marketplace and SGX's members.

12 December 2003

Started development of SGX Quest, which will be the world's first integrated trading engine for our securities and derivatives markets.



The SGX-MAS Research Incentive Scheme better facilitates investors' investment decisions.



SGX CEO Hsieh Fu Hua and OMHEX CEO Magnus Bocker ink deal to develop SGX Quest.



2nd Minister for Finance, Mr Lim Hng Kiang, meets with EAOSEF delegates in Singapore.

2 January 2004

Amended listing rules following public consultation to support recommendations of the Company Legislation and Regulatory Framework Committee, as well as other continuing listing matters.

23 February 2004

Added Nikkei 225 Futures onto the Mutual Offset link with the Chicago Mercantile Exchange, creating a single marketplace around-the-clock, where customers only need to put up one margin for each position.

25 February 2004

Revised Practice Note 1.2 of the Listing Manual, which enables SGX to focus its regulatory efforts on high-risk areas while facilitating the timely release of documents by listed companies.

14 & 15 April 2004

Signed memoranda of understanding with the Shanghai Stock Exchange (14 April) and the Shenzhen Stock Exchange (15 April), to foster co-operation in areas which will help enhance mutual understanding of each other's market.

15 to 17 April 2004

Hosted the 23rd East Asian & Oceanian Stock Exchange Federation (EAOSEF) General Assembly and Working Committee meetings, which facilitated the exchange of information and promoted mutual assistance among exchanges in the region.

17 May 2004

Revised Practice Note 2.1 of the Listing Manual to incorporate new procedures in the listing process, to ensure the quality of intermediaries and listings on SGX.

20 May 2004

Mr Linus Koh joined SGX as Head of the Products and Services group and Executive Committee member.

28 May 2004

Launched mobile data service in partnership with SingTel, providing investors and industry professionals access to live stock prices through their mobile phones.

18 June 2004

Embarked on the development of a securities cross-trading link with Bursa Malaysia, while exploring co-operation in other areas.



Media cum industry briefing on Practice Note 2.1.



Accessing live prices through SGX's mobile data service.



Electronic trading of Nikkei 225 Futures which creates a single marketplace around-the-clock.

A CLEAR VISION

WE BEGAN OUR JOURNEY AT THE CORE, WITH THE FOCUS OF BUILDING AN ENDURING MARKETPLACE WHERE SGX BECOMES A HUB FOR ASIAN DERIVATIVES CONTRACTS AND LISTINGS, BOTH LOCAL AND FOREIGN.



CHAIRMAN'S STATEMENT



SGX retains its grand design, initiated at its birth nearly five years ago, of forging alliances with like-minded exchanges and other businesses.

The first full year under our new chief executive, Hsieh Fu Hua, resulted in a marked improvement in the ability of the organisation to address issues of strategy and implementation. Coincidentally, there was welcome buoyancy in the securities market in the first nine months of the year, which resulted in a sharp improvement in our financial fortunes.

Operating profit rose to \$166.4 million from \$52.1 million, while net profit after tax rose to \$133.0 million from \$16.0 million. Admittedly, the previous year's results provided a fairly comfortable datum against which to measure progress. In that year, the securities market was listless, the cost of redundancies had to be absorbed, and a big hit was taken by the perceived fall in the fair-value of our office property. Still, management did apply a hawkish eye to costs, and seized opportunities to increase revenue without jeopardising competitiveness or the interests of investors and market participants.

SGX retains its grand design, initiated at its birth nearly five years ago, of forging alliances with like-minded exchanges and other businesses. Not all of them have proven to be successful. But patience eventually pays off. During the year, we started talks with Bursa Malaysia to try to replicate the co-trading link that was pioneered by SGX and the Australian Stock Exchange, in 2001. A similar success with Malaysia will provide a great fillip to investors and brokerages in Singapore, besides contributing to raising the profile of both exchanges.

Aside from the strengthening relationship with Bursa Malaysia, a string of Chinese companies have listed on our market, and we expect to soon see our first Indian listing.

On the derivatives side, some falling off of activity in the Eurodollar contract is balanced by stronger interest in Asian derivatives. The Exchange will work to promote those derivatives, as well as contracts in commodities, to maintain its steady pace of growth of 6% to 10% a year in the derivatives business. A possible joint venture with Nymex for energy contracts is under negotiation.

Meanwhile, SGX continues to strengthen its regulatory system in consultation with the Monetary Authority of Singapore. Great pains are taken to sift through the numerous IPO applications that were received during the year. While the guiding principle is caveat emptor, the regulatory authorities are nonetheless obliged to carefully scrutinise the bona fides of proposals, the issuers, and even the managers.

Internally, SGX is widening the role of its conflicts committee, and will soon establish a risk-management committee.

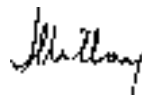
The previous year provided a bumper crop of gross dividends to shareholders, amounting to 40.5 cents per share, much of it flowing from the pool of excess cash. This year, it is not possible to again offer shareholders a munificent dividend. Nonetheless, the board recommends a gross final dividend of 4.075 cents and a gross special dividend of 6.5 cents, making a total of 13.5 cents for the year. This, excluding the special dividend the previous year, is greater than the trend.

This AGM, three directors are stepping down: Messrs Victor Liew, Goh Yew Lin, and Richard Gnodde. They have been on the board since inception. Their wise contributions in board deliberations have helped the company to retain an even keel, despite much

turbulence. I would like to thank them on behalf of the board and, no doubt, the shareholders, for their services to the company.

Replacing those three directors, subject to shareholder approval, are Mr Robert Owen, Mr Lee Hsien Yang, and Ms Olivia Lum Ooi Lin. I am confident that the incoming directors, with their interesting background and diverse experience, will help to widen the perspective of the board.

It remains for me to thank my fellow-directors, the CEO and his senior management team, our loyal staff, as well as all those we interact with, for their contributions to the success of the company. The CEO and his executive team have worked tirelessly to shape and discipline the organisation. Their efforts have to be sustained. We look forward to continued co-operation with all our constituencies in the years to come.

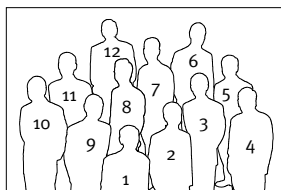


J Y Pillay

Chairman

29 July 2004

BOARD OF DIRECTORS



1 Mr J Y Pillay 2 Mr Hsieh Fu Hua 3 Mr Goh Yew Lin 4 Mr Low Check Kian 5 Mr Loh Boon Chye
6 Mr Richard Gnodde 7 Mr Geoffrey Wong Ee Kay 8 Mr Tang Wee Loke 9 Mr Ng Kee Choe
10 Mr Victor Liew Cheng San 11 Mr Ho Tian Yee 12 Mr Wong Ngit Liong

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 Chairman of the Council on Corporate Disclosure and Governance, member of the Council of Presidential Advisers and of the Presidential Council for Minority Rights of the Republic of Singapore, Chairman of the Assisi Home and Hospice, director of the Mount Alvernia Hospital, Life Trustee of the Singapore Indian Development Association, member of the Investment Committee of the United Nations Pension Fund, and Chairman of Commonwealth Africa Investments Limited. Mr Pillay held a variety of positions in the government of Singapore (1961-1995), rising to permanent secretary in 1972. He served in the ministries of finance, defence and national development. Between 1985 and 1989, Mr Pillay was the Managing Director of the Monetary Authority of Singapore and of the Government of Singapore Investment Corporation. Mr Pillay served, in a non-executive capacity, as Chairman of the board of several government-linked companies, including: Singapore Airlines Ltd (1972-1996), Temasek Holdings (Private) Limited (1974-1986), Development Bank of Singapore Ltd (1979-1984), and Singapore Technologies Holdings (Private) Limited (1991-1994). Mr Pillay graduated with a first class B.Sc (Hons) degree from the Imperial College of Science & Technology, University of London in 1956.

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

MR HSIEH FU HUA**Chief Executive Officer****Singapore Exchange Limited**

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

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

MR 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. Mr Gnodde is a member of the Goldman Sachs Global Management Committee.

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 22 October 2003.

MR GOH YEW LIN

Executive Director

G. K. Goh Holdings Limited

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 Limited. Mr Goh is also an independent director in Boyer Allan Investment Management Ltd. He also serves on the board of the Singapore Symphonia Company Ltd, serves as a council member of the Nanyang Academy of Fine Arts and chairs the Yong Siew Toh Conservatory of Music. 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

Executive Director

Pacific Asset Management (S) Pte Ltd

Mr Ho has served as an independent director on the SGX board since 15 November 1999. He is currently the Executive Director of Pacific Asset Management (S)

Pte Ltd. Mr Ho was previously the General Manager and Managing Director of Bankers Trust Company Singapore. Mr Ho also serves on the boards of Fraser and Neave Ltd, Great Eastern Holdings Ltd and Singapore Power Ltd. 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

Singapore Technologies Pte Ltd

Mr Liew has served as an independent director on the SGX board since 15 November 1999. Mr Liew is currently Corporate Advisor at Singapore Technologies Pte Ltd. He is also the Advisor of the Singapore Commodity Exchange Ltd. Previously, Mr Liew was the Chairman of OUB Bullion and Futures Ltd and Head of Treasury and Markets at OUB Ltd. Mr Liew has been actively involved in the development of Singapore International Monetary Exchange Ltd (SIMEX) since its inception in 1984. He has been a director of SIMEX since 1991 and Chairman from 1996 to 1999. He also served as a member of the Pro-Tem Committee overseeing the merger of Stock Exchange of Singapore 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 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 Loh was elected as a director at SGX's Annual General Meeting on 22 October 2003.

MR LOW CHECK KIAN**Chairman
Newsmith Capital Partners (Asia) Pte Ltd**

Mr Low has served as an independent director on the SGX board since 20 July 2000. Mr Low was previously a Senior Vice-President and Member of the Executive Management Committee of Merrill Lynch & Co. as well as their Chairman for Merill Lynch Asia Pacific. Prior to this, he was Head of Equities for Asia Pacific, Japan and Australia. Mr Low also sits on the boards of the Singapore Workforce Development Agency and the Infocomm Development Authority of Singapore, and is serving as the Chairman of their investment arm, Infocomm Investments Pte Ltd and the WDA Investment Committee respectively. 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 NG KEE CHOE**Senior Adviser
Development Bank Of Singapore**

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, NTUC Income Cooperative, 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 Ng was elected as a director at SGX's Annual General Meeting on 22 October 2003.

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 significant shareholder of the UOB-Kay Hian Group which, through its subsidiaries, is engaged in securities broking on the SGX securities market. Mr Tang is also a director of UOB-Kay Hian Holdings 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 Tang holds a Bachelor of Business Administration.

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

MR GEOFFREY WONG EE KAY

**Managing Director
UBS Global Asset Management**

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

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

MR WONG NGIT LIONG

**Chairman & CEO
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, DBS Bank Ltd and International Enterprise Singapore. Mr Wong holds a first class honours 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 as at 30 June 2004

Name of Director	Present Directorships (As at 30 June 2004)	Past Directorships Over the Preceding Three Years (From 30 June 2001 - 29 June 2004)
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 • SGXLink Pte Ltd • 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) • 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) • Singapore Hospice Council (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) • Singapore Exchange IT Solutions Pte Limited • Securities Clearing and Computer Services (Pte) Limited • SEL Holdings Pte Ltd
Mr Hsieh Fu Hua	<p>A) SGX Group</p> <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 • Singapore Exchange IT Solutions Pte Limited • Securities Clearing and Computer Services (Pte) Limited • Options Clearing Company (Pte) Limited • Macronet Information Pte. Ltd. • GlobalClear Pte Ltd • CDP Nominees Pte Ltd • CDP Nominees (II) Pte Ltd • AsiaClear Pte Ltd • American Stock Exchange-SGX Pte Ltd 	<ul style="list-style-type: none"> • Vitalway Global Limited • PT PrimePartners Indonesia • FusionActive.com Limited • Prime Asset Management Ltd • CapitaLand Residential Limited • Measurex Precision (II) Pte Ltd • ECS Holdings Limited • HBM Print Ltd • PT Tunas Baru Lampung TBK • Prime Geometric Fund Ltd • Prime Investment Global Inc • Wywy Office Solutions Pte Ltd • Wywy Office Solutions Sdn Bhd (formerly Central Display Sdn Bhd) • The East Asiatic Company Ltd A/S • PrimePartners Asset Management (HK) Ltd • CF Fund Holdings Ltd

Name of Director	Present Directorships (As at 30 June 2004)	Past Directorships Over the Preceding Three Years (From 30 June 2001 - 29 June 2004)
Mr Hsieh Fu Hua (cont'd)	<p>B) PrimePartners Group</p> <ul style="list-style-type: none"> • PrimeFounders Inc. (formerly PPAC Inc) • PrimePartners Assets Inc. (formerly PrimePartners Asset Management Inc) • Wywy Office Solutions Group Pte Ltd (formerly Fiorina Pte Ltd) • Measurex Engineering Pte Ltd (in liquidation w.e.f. 22 March 2002) • Measurex Holdings Pte Ltd (in liquidation w.e.f. 22 March 2002) • PrimePartners Management Pte Ltd (in voluntary liquidation w.e.f. 18 April 2002) <p>C) Others</p> <ul style="list-style-type: none"> • Government of Singapore Investment Corporation Pte Ltd • S.I.M. International Pte Ltd (Alternate Director) • Singapore Institute of Management (Chairman) • National University of Singapore (Council Member) <p>D) Personal</p> <ul style="list-style-type: none"> • Sunshine Portfolio Sdn Bhd • Hogarth Limited • Binjai Inc. 	<ul style="list-style-type: none"> • PP Special Asset Limited (formerly PP Special Asset Management Ltd) • WhiteField Korean Fund (L) Limited (formerly Prime Seoul Fund (L) Limited) • Prime Dilmun Management Ltd • CF Holdings (II) Ltd • Nylex (M) Bhd • WhiteRock Management Company Ltd • WhiteRock Management I Ltd • WhiteRock Investments I Ltd • Rhodemark Development Sdn Bhd • WhiteRock Investment II Ltd • WhiteRock² Management Ltd • WhiteRock Investments III Ltd • PrimePartners Holdings Pte Ltd (formerly Matrix Asia Pte Ltd) • PrimePartners Asset Management Pte Ltd (formerly PrimePartners Asia Capital Pte Ltd) • W3 Infocomm Group Pte Ltd (formerly w3angels.com Pte Ltd) • CapitaLand Limited (formerly Pidemco Land Limited) • CapitaLand Financial Limited • Measurex Precision Pte Ltd • TP Innovation Holdings Pte Ltd • PrimePartners Direct Investment Limited • Asia Converge Pte Ltd • Singapore Technologies Endowment Programme Limited
Mr Low Check Kian	<ul style="list-style-type: none"> • Infocomm Development Authority of Singapore • Infocomm Investments Pte Ltd (Chairman) • Singapore Workforce Development Agency Board • Singapore Workforce Development Agency Investment Committee (Chairman) • NewSmith Capital Partners (Asia) Pte Ltd (Chairman) 	<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 Director) • Singapore Art Museum (Member) [under the National Heritage Board]
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 	<ul style="list-style-type: none"> • Goh, Vickers Ltd • National Arts Council (Non-Executive Director) • Freesia Investments Pte Ltd

Name of Director	Present Directorships (As at 30 June 2004)	Past Directorships Over the Preceding Three Years (From 30 June 2001 - 29 June 2004)
Mr Goh Yew Lin (cont'd)	<ul style="list-style-type: none"> • Saliendra Pte Ltd • Singapore Symphonia Company Ltd • G. K. Goh Securities (H.K.) Ltd • G. K. Goh Securities (U.K.) Ltd • Boyer Allan Pacific Fund Inc • Boyer Allan Management Ltd • Nexgen Financial Holdings Ltd • Nexgen Risk Management Ltd • G. K. Goh Financial Holdings Ltd • G. K. Goh Strategic Holdings Pte Ltd • GohDirect Pte Ltd (in Members' Voluntary Liquidation) • Yong Siew Toh Conservatory of Music • Appeal Advisory Panel* (Member) • Arnica Investments Pte Ltd 	
	<p>* Constituted under the Securities and Futures Act (SFA), Financial Advisers Act (FAA) and Insurance Act (IA)</p>	
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 • Goldman Sachs Global Management Committee (member) • Securities and Futures Commission, HK (member of Advisory Committee) 	<ul style="list-style-type: none"> • Goldman Sachs Australia Pty Limited • Goldman Sachs Australia Nominees Pty Limited • Goldman Sachs Australia Holdings Pty Limited (formerly Goldman Sachs Australia Metals) • Goldman Sachs Australia Securities Pty Limited
Mr Ho Tian Yee	<ul style="list-style-type: none"> • Hexa-Team Planners Pte Ltd • Pacific Asset Management (S) Pte Ltd • Fraser and Neave Ltd • The Overseas Assurance Corporation Limited • Times Publishing Ltd • Great Eastern Holdings Ltd • The Great Eastern Life Assurance Company Ltd • Singapore Power Limited • SP PowerAsset Ltd 	<ul style="list-style-type: none"> • SPP Ltd • Tuan Sing Holdings Ltd • Singapore MRT Ltd • SMRT Corporation Limited • SAVER Premium Fund, Ministry of Defence (Member of the Board of Trustees) • Singapore Power International Pte Ltd

Name of Director	Present Directorships (As at 30 June 2004)	Past Directorships Over the Preceding Three Years (From 30 June 2001 - 29 June 2004)
Mr Victor Liew Cheng San	<ul style="list-style-type: none"> • CapitaLand Financial Ltd • Valuesearch.com Pte Ltd • Nexgen Re Limited • Markono Logistics Pte Ltd • Nexgen Financial Holdings Limited • SGX-DT Compensation Fund (Trustee) • SGX-DT Fidelity Fund (Member) • Savers-Premium Fund-Board of Trustees (Ministry of Defence) (Member) • Jurong Town Council (Member) • ST Treasury Services Ltd • Appeal Advisory Panel* (Member) • Singapore Commodity Exchange Ltd (Advisor) • Dornier MedTech GmbH (Shareholder Board Member) • Singapore Precision Industries 2000 Pte Ltd 	<ul style="list-style-type: none"> • OUB Bullion & Futures Ltd (Chairman) • Overseas Union Bank Trustees Ltd • AF (Indonesia) Pte Ltd • Singapore Commodity Exchange Ltd (Chairman) • PrismLight Pte Ltd (Chairman)
<i>* Constituted under the SFA, FAA and IA</i>		
Mr Wong Ngit Liong	<ul style="list-style-type: none"> • Venture Corporation Limited • Multitech Systems Pte Ltd • Ventech Data Systems Pte Ltd • Cebelian Holdings Pte Ltd • Advanced Products Corporation Pte Ltd • Innovative Trek Technology Pte Ltd • VS Electronics Pte Ltd • EAS Security Systems Pte Ltd • VIPColor Technologies Pte Ltd • SIA Engineering Company Ltd • NLW Pte Ltd • Venture Electronics Solutions Pte Ltd • Technocom Systems Sdn Bhd • Pintarmas Sdn Bhd • Syarikat Perusahaan Sing Mee (Johore) Sdn Bhd • VM Services, Inc. • PT Venture Electronics Indonesia • Ventech Investment Ltd • Venture Electronics Spain, S.L. • Venture Electronics (Europe) B.V. • International Enterprise Singapore • Venture Hungary kff • Univac Precision Engineering Pte Ltd • Venture Electronics Services (Malaysia) Sdn Bhd • Venture Electronics mexico S.A. de C.V. • Asia Business Council (Member) • INSEAD East Asia Council (Member) 	<ul style="list-style-type: none"> • Keppel Tatlee Bank Limited • Keppel Capital Holdings Ltd • k1 Ventures Limited • Venture Meto International Pte Ltd • Venture International Marketing Ltd • Venture Manufacturing (Singapore) Ltd • Venture Electronics (Shanghai) Co Ltd • VIPColor Technologies USA, Inc • Venture Electronics International, Inc • Economic Development Board (Singapore)

Name of Director	Present Directorships (As at 30 June 2004)	Past Directorships Over the Preceding Three Years (From 30 June 2001 - 29 June 2004)
Mr Wong Ngit Liong (cont'd)	<ul style="list-style-type: none"> • Action Community for Entrepreneurship (ACE) (Member) • Ministry of Education - Quality Assurance Framework for Universities (QAFU) (Member) • DBS Bank Ltd • Hewlett-Packard Alumni, Singapore (President) 	
Mr Tang Wee Loke	<ul style="list-style-type: none"> • UOB-Kay Hian Holdings Limited • Kay Hian Holdings Limited • UOB Kay Hian Private Limited (formerly known as Kay Hian Private Limited) • UOB Kay Hian Nominees Pte Ltd • UOB Kay Hian Research Pte Ltd • UOB Kay Hian Trading Pte Ltd • UOB Kay Hian Overseas Limited (Non-Executive Director) • UOB Kay Hian Overseas Finance Limited (Non-Executive Director) • UOB Kay Hian (BVI) Limited (Non-Executive Director) • Trans-Pacific Credit Private Limited • Thong & Kay Hian Securities Sdn Bhd (Non-Executive Director) • PT UOB Kay Hian Securities (Non-Executive Director) • UOB Kay Hian Securities (Thailand) Co Ltd (Non-Executive Director) • UOB Kay Hian Securities (Philippines) Inc. (Non-Executive Director) • Bonham Nominees Pte Ltd 	<ul style="list-style-type: none"> • Stock Exchange of Singapore Limited • Securities Clearing and Computer Services (Pte) Limited • UOB Kay Hian (M) Holdings Sdn Bhd
Mr Geoffrey Wong Ee Kay	<ul style="list-style-type: none"> • UBS Global Asset Management (Singapore) 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) • NTUC Income Cooperative 	<ul style="list-style-type: none"> • DBS Bank Ltd • DBS Group Holdings Ltd • Temasek Advisory Panel of Temasek Holdings (Private) Limited
Mr Loh Boon Chye	<ul style="list-style-type: none"> • Gym & Sports Pte Ltd • BC Capital Pte Ltd • IBF Council 	<ul style="list-style-type: none"> • BondsinAsia Limited • BondsinAsia (Singapore) Pte Ltd • Deutsche Bank International Asia Ltd • Deutsche Securities India (Pte) Ltd

PROPOSED DIRECTORS



MR LEE HSIEN YANG
President and CEO
Singapore Telecommunications
Limited

Mr Lee joined SingTel in April 1994 and has been the President and CEO of SingTel since May 1995. Prior to joining SingTel, he served in a variety of command and staff appointments in the Singapore Armed Forces. Mr Lee chairs the Republic Polytechnic's Board of Governors and is a member of the Land Transport Authority Board and the Board of Directors of INSEAD, France. A President's Scholar and an SAF Scholar, Mr Lee has a first class honours degree in engineering from Cambridge University and an MSc in Management Science from Stanford University.



MR ROBERT OWEN
Senior Adviser
Nomura International (Hong Kong)
Ltd.

Mr Owen is Senior Adviser of Nomura International (Hong Kong) Ltd., based in Hong Kong. He is also non-executive Chairman of Crosby Ltd (listed on the AIM market in London), Chairman of the International Securities Consultancy Ltd (unlisted) and a non-executive director of Sunday Communications Ltd (listed in Hong Kong and on NASDAQ) and a number of investment funds. Mr Owen began his career in the U.K. Foreign Office. He later worked for Morgan Grenfell and Lloyds Bank. In 1988, Mr Owen was appointed Adviser on Securities Markets and Commissioner for Securities by the Hong Kong Government to implement reforms to the regulation and operation of Hong Kong's securities and futures markets. In 1989, he became Executive Chairman of the Securities and Futures Commission. Mr Owen is a member of the Regulatory Council of the Dubai Financial Services Authority and was a Member of the Council and Regulatory Board of Lloyds of London from 1993 to 1995. He is also a Governor of Repton School. Mr Owen graduated with first class honours from Oxford University in 1961.



MS OLIVIA LUM OOI LIN
Group CEO and President
Hyflux Ltd

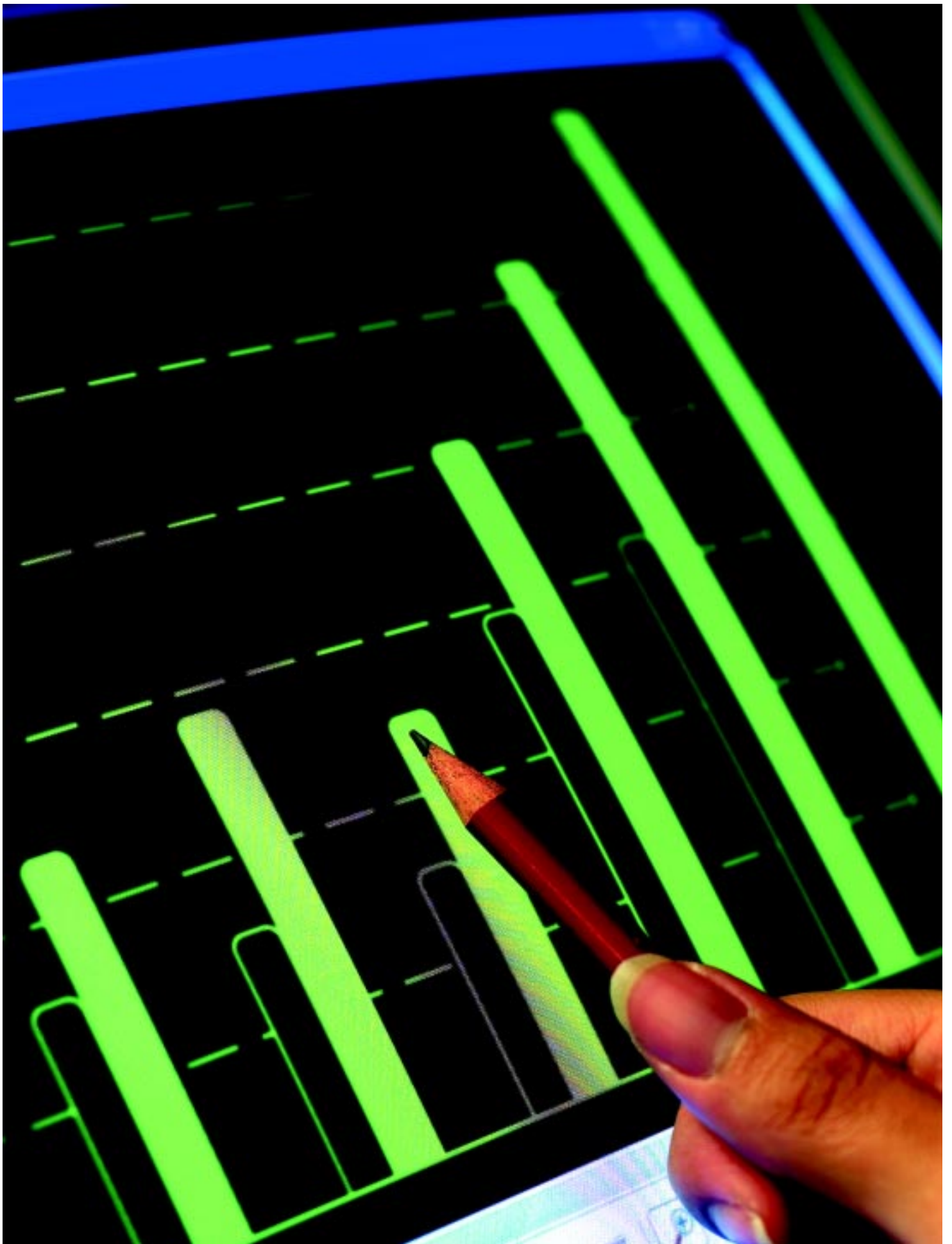
Ms Lum began her career as a Chemist with Glaxo (S) Pte Ltd in 1986. In 1989, she started Hyflux Ltd, a company specializing in water and waste water treatment. Currently, Ms Lum holds directorships in Yeo Hiap Seng Limited, Matex International Ltd and Hyflux Ltd. Ms Lum graduated from the National University of Singapore in 1986 with a Bachelor of Science (Honours).

Present and Past Directorships as at 30 June 2004

Name of Director	Present Directorships (As at 30 June 2004)	Past Directorships Over the Preceding Three Years (From 30 June 2001 - 29 June 2004)
Mr Lee Hsien Yang	A) SingTel Companies <ul style="list-style-type: none"> • Singapore Telecommunications Limited • Singapore Post Limited • Singapore Telecom International Pte Ltd • STEL Information Technology (Shanghai) Co. Ltd. • NCS Pte Ltd • Singapore Telecom Mobile Pte Ltd • SingTel Optus Pty Limited • Singapore Telecom Australia Investment Pty Limited B) Others <ul style="list-style-type: none"> • Kwa Geok Choo Pte Ltd • Land Transport Authority • MediaCorp Press Ltd • Republic Polytechnic 	<ul style="list-style-type: none"> • Defence Science & Technology Agency • Telecom Equipment Pte Ltd. • SingNet Pte Ltd. • KA Land Pte Ltd. • Mercurix Pte Ltd. • Singapore Telecom America, Inc. • SingTel USA, Inc. • SingTel Asian Investments Pte Ltd. • SingTel Strategic Investments Pte Ltd. • Singapore Telecom Paging Pte Ltd. • SingTel Global Services (Pte) Ltd. • SingTel Ventures (Singapore) Pte Ltd. • SingaSat Pte Ltd. • Virgin Mobile (Asia) Pte Ltd. • Virgin Mobile Holdings Pte Ltd. • Virgin Mobile (Singapore) Pte Ltd. • SingTel Investments Pte Ltd. • Sesami Inc. • Singapore Telecom Europe Limited • Singapore Science Centre
Ms Olivia Lum Ooi Lin	<ul style="list-style-type: none"> • Yeoh Hiap Seng Limited • Matex International Ltd • Hyflux Ltd 	<ul style="list-style-type: none"> • Nil
Mr Robert Owen	<ul style="list-style-type: none"> • Crosby Capital Partners Inc (Cayman) • Crosby Ltd (Hong Kong) • Crosby Capital Partners Ltd (UK) • Crosby Asset Management Ltd (Hong Kong) • The Dubai Financial Services Authority • Nomura International (Hong Kong) Ltd. • Sunday Communications Ltd (Hong Kong) • ECK & Partners Ltd (Hong Kong) • International Securities Consultancy Ltd (Jersey and Hong Kong) • CMEC GE Capital China Industrial Holdings Ltd (Hong Kong) • Nirvana Capital Ltd (Cayman) • Repton School (UK) • Repton Preparatory School (UK) • Sir John Port's Charity (UK) 	<ul style="list-style-type: none"> • Techpacific Capital Ltd (Hong Kong) • European Capital Co. Ltd (UK)

GETTING RESULTS

AS WE CONTINUE TO EVOLVE INTO A CUSTOMER-ORIENTED BUSINESS, WE REMAIN MINDFUL THAT OUR PEOPLE STAY AT THE HEART OF OUR ORGANISATION TO ATTAIN RESULTS FOR OUR CUSTOMERS, THE CORE OF OUR BUSINESS.



CEO'S MESSAGE



Moving ahead, we will focus on building an enduring marketplace where SGX becomes the hub for foreign listings and Asian derivatives contracts.

We began our journey last year ensuring that we attended to the core need of building a robust business. We restructured the organisation for efficiency and to address the needs of our customers. We also established a strong discipline of cost control and improved our capital management. In the year, we revamped our trading infrastructure to enable open connectivity for our members, and to provide our customers around the world with seamless access to our trading platform. These measures are crucial to building a strong foundation for our business.

Moving ahead, we will focus on building an enduring marketplace where SGX becomes the hub for foreign listings and Asian derivatives contracts. SGX is unique in our ability to attract foreign listings, which account for 25% of the total number of listed companies. We intend to continue our efforts to attract a diverse range of issuers and further fuel this growing appetite for foreign issues. Our Asian derivatives contracts have seen rising volumes and now contribute more than 50% of our total derivatives trading volume. This is an encouraging trend as we attempt to diversify our derivatives revenue which has largely depended on the Eurodollar contract.

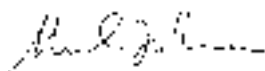
We are transforming the organisation from a utility to a customer-oriented business which provides products to meet the needs of the marketplace. Our eventual goal is to create a hub for trading Asian products, and a gateway to access regional and international markets.

Ultimately, our focus is to achieve superior return on equity on which we will pay growing dividends to our shareholders. We have raised our base dividend from

6.5 cents (gross) per share, to 7.0 cents (gross) per share which we aim to increase further in the years to come. This underlies our belief that SGX is a growing business.

As we continue to evolve, we are mindful of the need to inspire our people, the heart of our organisation, and to fulfill the demands of our customers, the core of our business.

To all our colleagues who gave of themselves, our customers who allowed us the opportunity to serve, our shareholders who believed in our promise and our Chairman and directors who led us, we are most grateful indeed.



Hsieh Fu Hua
Chief Executive Officer
29 July 2004

OPERATING AND FINANCIAL REVIEW

(Figures are in Singapore dollars unless otherwise stated)

Introduction

SGX's Operating and Financial Review has been written to provide users with a fuller understanding of the Group. It complements and supplements the financial statements, providing:

- an analytical description of information in the financial statements
- interpretation of the Group's performance and financial condition, opportunities, risks, and changes in the environment

The financial information is consistent with information in the audited financial statements.

Overview

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

The securities exchange was the first fully electronic and floorless exchange in Asia and is home to Singapore's leading listed companies. We have also been at the forefront of exchanges globally, in attracting listings of companies from other countries. Our securities market strives to help companies and investors achieve their capital-raising and investment objectives within a sound, transparent and efficient marketplace.

More than any other exchange in the Asia-Pacific region, our derivatives market has a strong international orientation in its product offerings, which include a wide range of Asian-based contracts. Our market has a prominence that extends beyond the borders of Singapore and has won many accolades from international organisations.

We also provide integrated clearing and settlement for our securities and derivatives market participants and investors, and assume the role of central counterparty to all our clearing members. In addition, we operate central depository facilities for the securities market.

Mission and Strategy

Our mission is to offer a comprehensive and efficient infrastructure for raising capital and for investors to transact and clear financial products. As a leading marketplace, we strive to continually innovate and provide our customers with convenient access, quality products and the best price discovery. We aim to do this at a competitive cost while seeking to create value for our shareholders.

The thrust of our strategy has been to build a customer-focused organisation, defend and grow SGX's core business, and extend the business within our line of sight.

As part of our efforts to build a customer-focused organisation, we concentrated on strengthening our marketing capabilities over the past year. We formed dedicated relationship management teams to serve different customer segments such as our intermediaries, listed companies and retail investors. Duplicated functions in trading operations, clearing and settlement and market data services were consolidated and business processes were re-engineered to reduce costs and enhance operational efficiencies.

We also began a major initiative to transform our trading infrastructure. We purchased an integrated trading system from OMHEX, a leading provider of marketplace technology, which we have named SGX QUEST. The system will enable our customers to seamlessly trade and hedge across both the securities and derivatives markets, a world first among exchanges. SGX QUEST

will also increase the range of financial instruments we can offer and allow for the execution of complex trading strategies. SGX QUEST is based on the OM CLICK trading engine, which is used by major exchanges worldwide. This will enhance connectivity between SGX and other markets, enabling us to offer our investors direct access to overseas markets, and support our strategy of building alliances with other exchanges. SGX QUEST will be commissioned for the derivatives market in the third quarter of 2004 and is expected to be introduced for securities trading in mid-2005.

In addition, we are rolling out SGXTrade, an order management system that will facilitate the adoption of SGXAccess. SGXAccess is an open access facility that enables our securities trading members and their customers to trade the SGX securities market from anywhere in the world. SGXTrade will be commissioned in the fourth quarter of 2004.

We have continued to focus on attracting foreign listings, particularly from China and India, to complement our pool of domestic listings. We have also prioritised our product plans. Because of this, we did not proceed with the launch of DRAM futures, and are exiting from share registrar services.

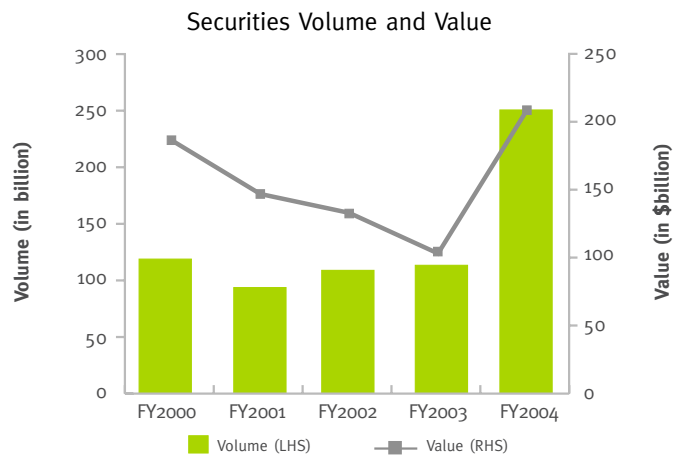
To extend beyond the confines of Singapore's domestic economy, SGX has consistently pursued alliances with other exchanges. Alliances allow us to pool liquidity with other markets and expand our range of product offerings to customers. We are in discussions with Bursa Malaysia on the development of a cross-trading linkage for securities trading. This linkage will follow the SGX-ASX model in which orders are channelled into, and executed on, the home exchange. This is a preferred alliance model as investors are able to enjoy the aggregated liquidity in the home market. The linkage with Bursa Malaysia is expected to be launched

by the end of 2005. We are also exploring co-operation in other areas. An alliance with Bursa Malaysia is a natural choice given our historic ties and a good flow of cross-border business transactions between the two markets.

To leverage on the fast-growing energy market in Asia, and Singapore's position as both a major Asian oil trading hub and financial centre, we are also exploring the establishment of a commodity exchange in Singapore with New York Mercantile Exchange, the world's largest energy exchange.

Our Business

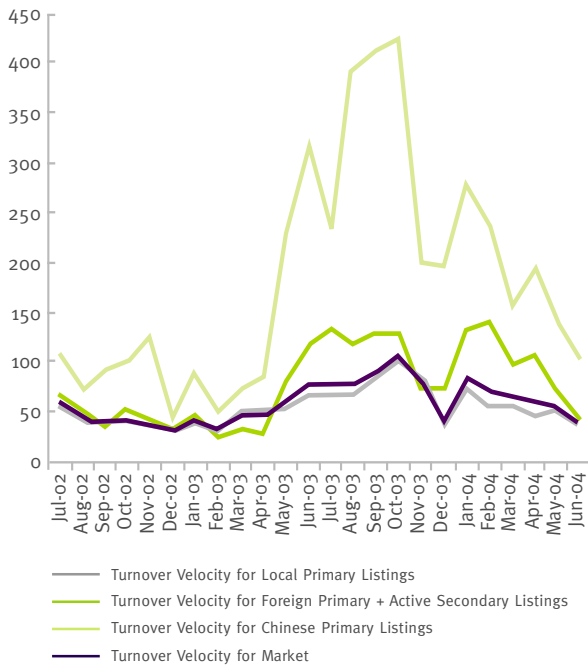
Securities Market



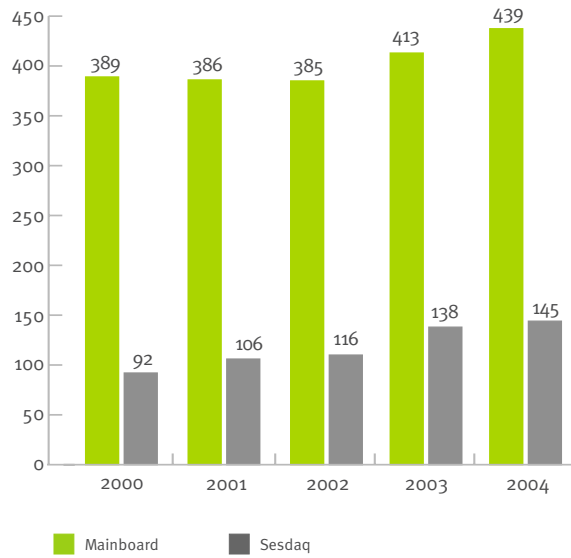
Securities market turnover improved significantly in FY04, with 251.7 billion shares traded worth \$208.0 billion. This represents an increase of 121.7% in volume and 102.8% in trading value from FY03 levels. Market turnover velocity (turnover/capitalisation) increased to 70.3%⁽ⁱ⁾ from 47.1%⁽ⁱ⁾ in FY03. The STI index rose by 27.0% from its level at 1 July 2003 to close at 1838 points on 30 June 2004.

⁽ⁱ⁾ Excludes inactive secondary listings.

Turnover Velocity for SGX-Listed Companies

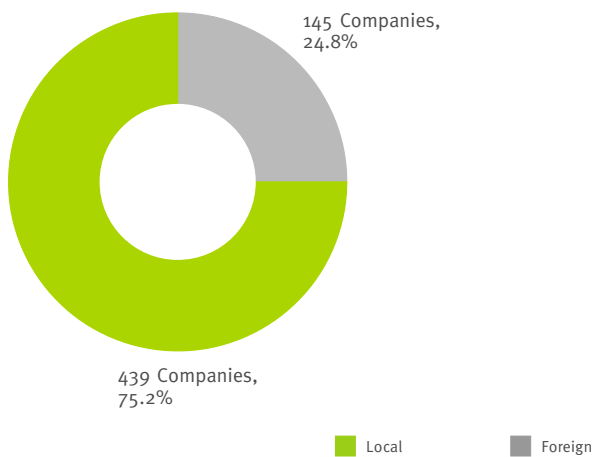


Listed Companies on SGX

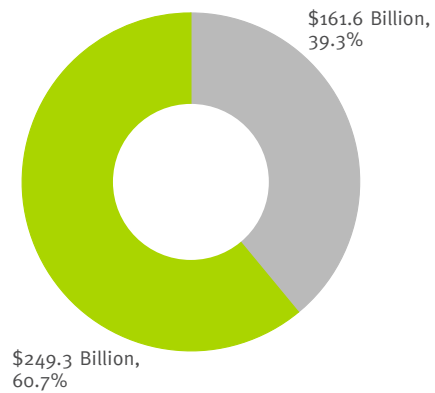


Building a Regional Growth Platform for Foreign Issuers

Local vs Foreign Issuers



Market Capitalisation



Listed Companies on SGX

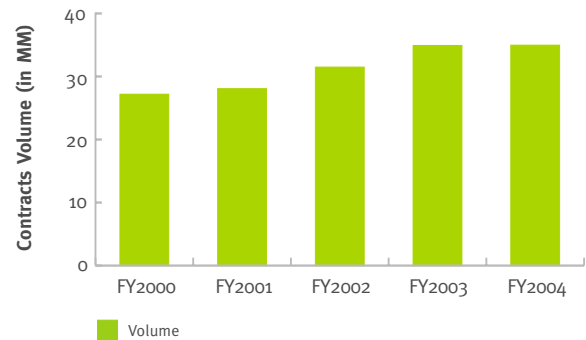
There were 584 listed companies at the end of FY04, of which about 24.8% were foreign companies with a principal place of business outside Singapore. These foreign companies come from Greater China, South East Asia, Australasia, Europe and US, and accounted for about 39.3% of SGX's total market capitalisation.

In FY04, we saw a 55.6% increase in the number of new listings over FY03, due largely to a significant increase in listings of China and China-related companies. Of the 70 IPOs in FY04, 33 were foreign companies, including 23 from China, compared to 13 foreign listings in FY03. We also listed our first foreign Real Estate Investment Trust (REIT), the Hong Kong-based Fortune REIT.

Derivatives Market

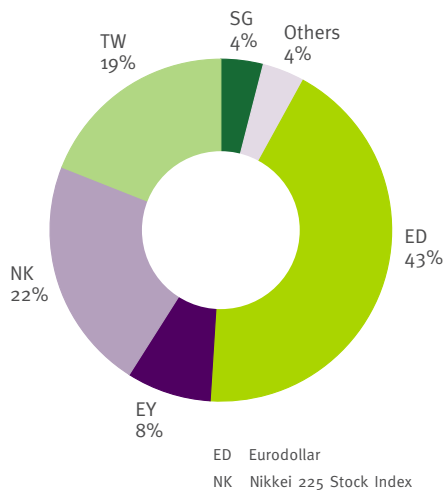
Derivatives market turnover rose slightly in FY04 with 34.96 million contracts traded. Volumes traded on our electronic platform have also increased, representing 7.9% of total volumes in FY04 compared to 5.4% in FY03.

Derivatives Trading Volume

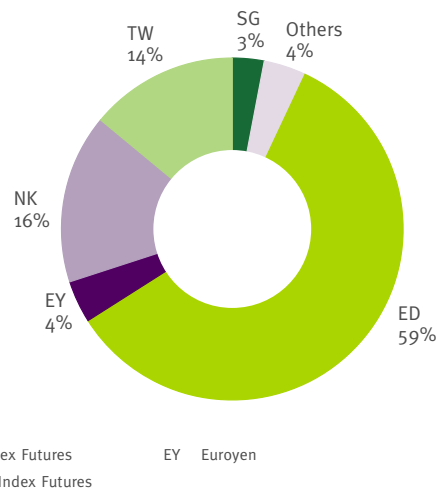


Our Eurodollar (ED) futures contract faces pressure, especially from Globex, the electronic platform operated by the Chicago Mercantile Exchange (CME), and this has reduced our ED market share. To promote our contract to customers, we have introduced clearing fee incentives and enhanced the efficiency of pit trading. We have also conducted an intensive international marketing campaign. At the same time, volumes have been growing strongly for our Asian-based contracts such as the Nikkei 225, MSCI Singapore and MSCI

Derivatives Contracts Volume – FY2004



Derivatives Contracts Volume – FY2003



Taiwan Index futures contracts, and this has offset the impact of the decline in the ED contract. In particular, trading in our Nikkei 225 contract has been boosted by its addition to the Mutual Offset System (MOS) arrangement with CME from February 2004. This arrangement facilitates around-the-clock trading of the contract.

Looking forward, we will continue to grow electronic trading in our derivatives market and expect a further increase in volumes when our Nikkei 225 contract is included for electronic trading during the trading hours of the underlying cash market in the fourth quarter of 2004.

It is also expected that trading activity will benefit from the government's move to extend the 10% concessionary tax incentive enjoyed by our derivatives members to include income derived from SGX Singapore-dollar denominated derivatives products such as the MSCI Singapore Index futures, Singapore Government Bond futures and Singapore Dollar Interest Rate futures contracts.

Data Business

Our main business in this area is the provision of price information on the securities and derivatives markets to customers such as information vendors, investment portals and broking firms.

SGX Members (As at 30 June 2004)

Categories of SGX Members	Numbers
Locals	577
Securities Members	23
Derivatives Corporate Clearing Members	22
Derivatives Corporate Non-clearing Members	8
Derivatives Commercial Associate Members	17
SGX ETS Associate Member	1

In partnership with SingTel, we launched 'Mobile Stock Live!' in May 2004. This service, a first in Singapore, offers investors access to live stock prices through their mobile phones. 'Mobile Stock Live!' further expands our distribution structure for disseminating market data.

Clearing, Settlement and Depository Operations

Our clearing houses are cornerstones of the financial integrity of our derivatives and securities markets. They guarantee all matched trades with Clearing Members, eliminating counterparty risk and assuring contract performance to the brokers' clients.

As a financial safeguard, a clearing fund which currently stands at \$160.0 million, has been established in the securities market. In the derivatives market, margin holding stands at \$3.3 billion. This is 150% of margin requirements. In addition, security deposit collateral are also required for the derivatives market.

At 30 June 2004, our Central Depository had more than 1.2 million accounts holding over 350.5 billion shares worth \$208.0 billion. The Depository also held \$31.4 billion and US\$250.0 million worth of bond issues.

To improve operational and cost efficiency, customer service levels and the infrastructure of the securities clearing house, we introduced automated phone and internet services in FY04. We added two participating banks, HSBC and Standard Chartered, to our Direct Crediting Service (DCS), providing more customers with access to our DCS. An upgrade was also done to our depository agent transfer system to allow real-time transfer of securities between depository agents, reducing counterparty risk and turnaround time for depository agents.



SGX Products and Services

SGX offers a diverse and exciting array of securities and derivatives products via a global network of broking members, who provide access to these products by various means, including telephone, the internet, information service providers, and trading terminals which can be placed anywhere in the world.

Our securities products are traded on an electronic screen-based trading system. These products include:

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



Our derivatives products consist of a wide range of international risk management and trading instruments. The products, traded electronically as well as on the open outcry system, include:

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

We also offer a range of data services that provide both historical and 'live' data and prices to our customers. These include:

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

The Central Depository also offers corporate action services to our listed companies. These services include operational support for initial public offerings, warrant issues and rights issues, dividend and coupon distributions, and takeovers processing. In FY04, we processed 67 IPOs, 30 bonus issues, 13 takeover offers, 21 right issues, 27 covered warrants, 12 schemes of arrangement, and close to 2,000 dividend and interest payments totaling \$23.4 billion.

For the derivatives clearing house, we now include French and German government securities as acceptable margin collateral.

Regulation

Over the past few years, SGX has been working to move our securities market from a merit-based regime to a disclosure-based regime. FY04 saw significant progress on this front.

A disclosure-based regime operates on the principle that, in general, informed investors can protect themselves. It recognises that the market is better placed than regulators to decide on the merits of transactions. It requires full, frank and timely disclosure of information to investors.

Issuer Regulation

In July 2003, we embarked on public consultation on changes to our listing rules to ensure they meet the changing needs of the market. Following the public consultation, amendments were effected in January 2004 to incorporate recommendations of the Company Legislation and Regulatory Framework Committee and other changes.

In November 2003, we implemented a trading halt mechanism for listed companies. This supports efforts by companies to release information to the market in a timely way.

In December 2003, a new set of securities trading rules was introduced to reflect current market practices, enhance market transparency and better meet the changing needs of both the marketplace and our members. Under these changes, research and investment analysts and corporate finance staff of securities firms no longer need to be regulated with SGX. Members are also required to separate research functions from dealing, corporate finance and backroom operations.

During the year, we released two major practice notes. The first relates to procedures in granting listing, the circumstances under which we may withdraw the 'eligibility-to-list' letter for an IPO, and the principles we apply in dealing with comments that we occasionally receive from the public on listing applications. This practice note was expanded in May 2004 to provide guidance on the general duties of due diligence by sponsors, allow for investigative reports to be commissioned, require post-listing sponsorship disclosure and director's training disclosure and clarify rules for foreign companies regarding connection to Singapore.

The second practice note relates to our new risk-based approach to regulate issuers, which we adopted in March 2004. Under this approach, we focus greater regulatory attention on areas that pose significant risks and where market transparency, integrity or investor protection may be compromised if the risks materialise. This improves regulatory efficiency and effectiveness by allowing us to use our limited resources to greater effect, and benefits listed companies in terms of lower compliance cost and quicker time-to-market for their transactions. The practice note reinforces issuer responsibility for making all necessary disclosures.

As part of our efforts to help newly listed companies familiarise themselves with their listing obligations,

we held an interactive orientation session for newly listed companies in March 2004. The session provided the companies with an overview of our listing rules and featured discussions on topics of interest, including directors' duties, directors' and officers' insurance, and investor relations. Going forward, such orientation sessions will be held approximately every quarter.

Market Surveillance

In October 2003, SGX co-hosted a SMARTS conference. It was attended by participants from exchanges and regulators from 14 different countries. The conference provided an excellent forum for the exchange of views and experience on surveillance issues.

Regulation and Supervision of SGX

The Monetary Authority of Singapore (MAS) is the regulator of SGX. MAS has informed SGX that it plans to levy a supervisory fee for the SGX Group from 1 July 2005.

The annual fee, totalling \$1.39 million for FY06 is intended to meet the costs of regulating and supervising SGX, the exchanges and their clearing houses.

Organisation Structure

In mid-2003, we undertook a restructuring exercise which resulted in a new organisational structure taking effect from 1 September 2003. The new structure enables SGX to operate as a market-led, fully integrated business. Pursuant to the new structure, we now have two strategic business units (SBU), the Markets SBU which focuses on strategy, business and product development, and marketing, and the Operations SBU, which is responsible for market infrastructure, technology and operational efficiencies. These SBUs are supported by our Corporate Services and Regulatory Groups, together with Corporate Communications, Human Resources and Internal Audit.

Altogether, there are seven Groups within SGX:

- Strategy and Business Development, which focuses on developing SGX's strategic direction and new business ventures
- Products and Services, which drives our product development and product management efforts
- Markets, which manages relationships with our customers, including issuers, intermediaries, Locals, institutions, custodian banks and retail investors
- Operations, which manages the securities and derivatives trading, clearing and settlement processes, and securities depository functions
- Technology, which focuses on process solutions and infrastructure development, application development and the operations of the data centre
- Risk Management and Regulation, which supervises our members, listed companies and market activities to ensure market integrity and minimise the risk of default
- Corporate Services, which oversees the finance and administration, programme management and investor relations functions.

Our organisation chart is at page 50 of the Annual Report.

Human Resources

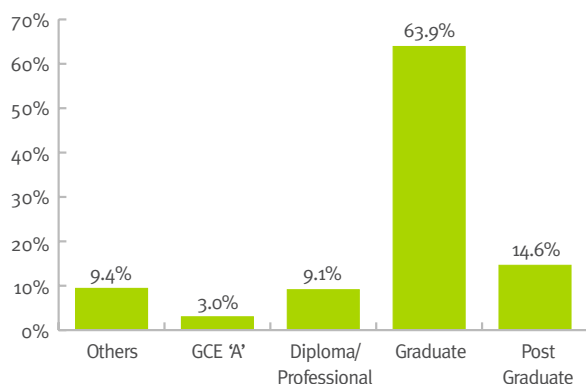
The restructuring exercise has created opportunities for us to build a culture of support in our new organisation and promote our corporate values - Passion for People, Teams, Performance, and Customers. As part of the process, we have begun a review of our performance appraisal framework and compensation structure.

Training and Development

We are committed to investing in the development of our people through various training and development programmes. A total of about 1% of annual payroll

Distribution by Qualification

- Management and executive staff



costs was spent on training activities. In addition, we received incentives totalling almost \$32,500 from various government schemes such as Skills Development Fund, the Economic Development Board's Specialist Manpower Programme (E-Commerce), Infocomm Development Authority's CITREP and MAS's Financial Sector Development Fund.

Regular staff dialogues and meet-the-CEO sessions were organised to foster communication. Social and recreational activities including an annual dinner and dance, community work and sports events were also held during the year. In addition, we publish a regular in-house newsletter to provide a forum for sharing news and developments within the organisation.

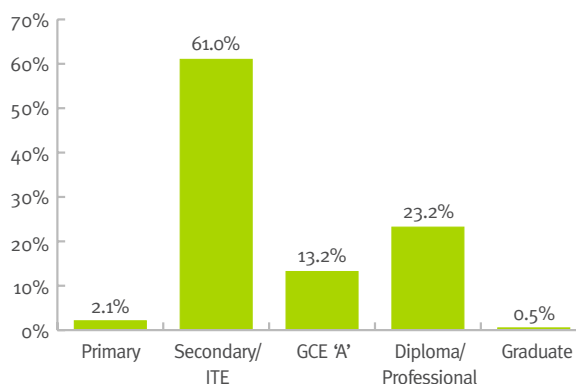
Going forward, efforts will be put into developing career development plans for employees, and building up technical, business and leadership capabilities.

Corporate Social Responsibility

SGX embraces corporate social responsibility as a value and holds on to the belief of building organisations with a heart. Together with employees' support and

Distribution by Qualification

- Non-executive staff



participation, SGX spearheads various community relations programmes and initiatives.

Educating Our Investors

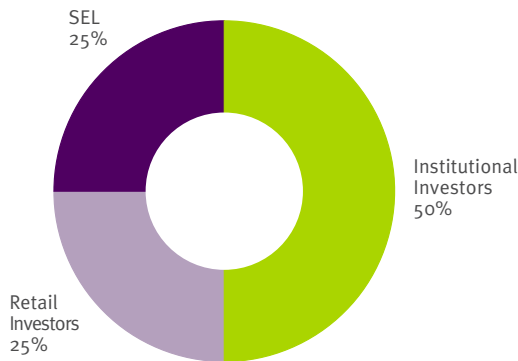
The SGX-MAS Research Incentive Scheme was launched in December 2003 to help investors make better-informed decisions by providing free research coverage of SGX-listed stocks on our website. The scheme has met with good response, with 122 listed companies, nine research firms and more than 17,000 users participating to date.

We held the SGX Investment Fair in May 2004 to help retail investors familiarise themselves with the various companies listed on SGX, the latest suite of financial products and services in the financial arena, as well as developments in the financial industry. Investment talks and seminars were also held at the fair.

More than 60 investment workshops and courses, attended by 3,000 investors, were organised during the year to increase the financial literacy of our investors and help them make sound investment decisions. The programmes, ranging from basic investment strategies to securities and derivatives products, were conducted

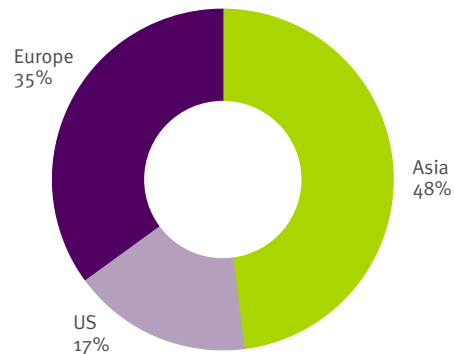
Shareholders' Profile

(as at 30 June 2004)



Institutional Shareholders by Region

(as at 30 June 2004)



in both English and Mandarin. In addition, webcasts of some SGX investment workshops are made available on our website. The topics included basic understanding of the stock market, stock index futures, investment strategies, stock options, warrants and investment trusts.

During the year, we also created a series of education editorials in *Streets*, a consumer daily, and *Lianhe Zaobao*, the main Chinese daily in Singapore.

Developing the Industry

SGX hosted the 23rd East Asian and Oceanian Stock Exchange Federation (EAOSEF) General Assembly for the first time in 16 years. The event, which was held from 14 to 17 April, was attended by 50 senior delegates from 14 exchanges. The General Assembly achieved its primary objective of forging stronger relations and provided a useful forum for discussions among exchanges in the region.

Contributing to the Community

Through the SGX Corporate Volunteer Programme, SGX Phileo, we conducted activities for children and youths who are physically, mentally and socially disadvantaged.

SGX has also supported other charitable causes like the ACI Singapore Charity Golf 2004, the Police Week Charity Adventure, the JP Morgan Corporate Challenge, the National University of Singapore Charity Run, the Taman Jurong Community Fund and the National Day Parade 2003.

Investors Relations

Our investor relations (IR) approach is characterised by commitment to good corporate governance, timely and transparent disclosure, and regular communication with shareholders and the investment community.

Our Shareholders

SGX conducts a half yearly analysis of its share register. The most recent analysis was undertaken in June 2004. Approximately 50% of our shares are held by institutional investors, while retail investors account for up to 25% of our shareholders.

The remaining 25% is held by SEL Holdings Pte Ltd (SEL), a special purpose company set up under the Merger Act, for the benefit of the Financial Sector Development Fund.

With regard to the geographical spread of SGX's institutional shareholders, 48% are from Asia, 35% from Europe and 17% from the US.

This year we have significantly shortened the time taken to publish our quarterly and annual results. We have continued our efforts to reach out to both local and overseas investors. Our IR team and members of senior management have met shareholders in person or on conference calls, in addition to handling inquiries over the phone and email. Given the large foreign ownership of our stock, we have actively participated in a number of institutional investor conferences in Hong Kong, London and New York during the course of the year.

Going forward, we intend to provide shareholders with an online channel, accessible three weeks before the annual general meeting (AGM), to pose questions and raise issues that can be addressed at the AGM.

Financial Review

FY04 was a record year for SGX. The Group achieved net profit after tax and minority interests of \$133.0 million, a huge leap from \$16.0 million (after impairment loss of \$50.0 million for our properties) in FY03. Our strong earnings growth was underpinned by the following factors:

- Broad recovery in the equities market
- Higher volume from Asian derivatives

Record Securities Market Revenue

	FY2002	FY2003	FY2004
(in \$MM)			
Securities Market Revenue	113.7	100.3	183.5
Securities Clearing Fees	76.5	66.9	141.4
Account Maintenance and Processing Fees	37.2	33.4	42.1

Accolades

Jan 2004

SGX was ranked 3rd most committed company to a strong dividend policy in Singapore (*Asiamoney's Best Managed Companies Survey 2004*)

Dec 2003

SGX was ranked in Singapore's Top 10 leading companies (*Far Eastern Economic Review list of Asia's 200 leading companies*)

Nov 2003

SGX was highly commended as runner-up in IR Magazine's Asia IR Awards, Small and Medium Enterprise Grand Prix category (*IR Magazine*)

Sep 2003

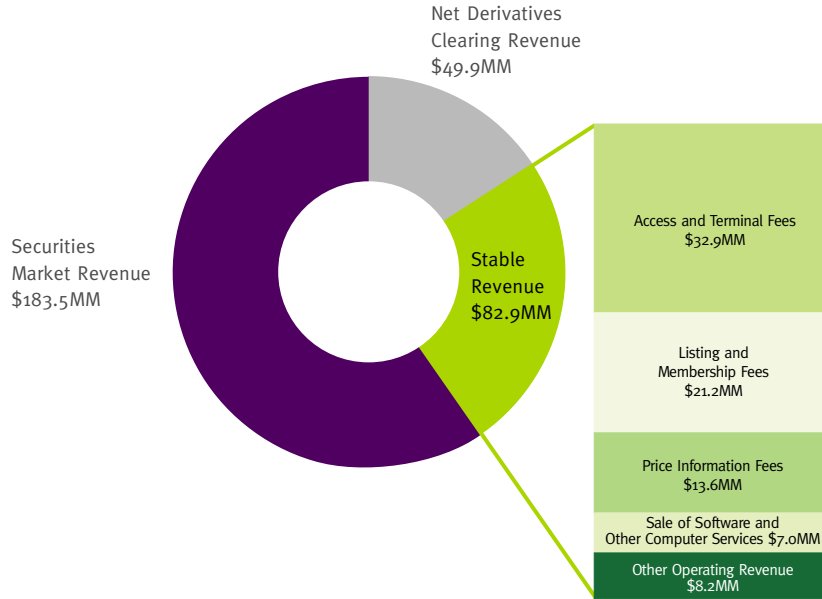
SGX was ranked 1st in Singapore and 6th in Asia in the diversified financials sector (*Asiamoney Annual Corporate Governance Survey*)

- Successful efforts to grow the number of Chinese-related listings
- Unlocking of value from our price information business
- Continued emphasis on cost control

Securities Market Revenue

Fuelled by strong market recovery, securities trading value soared to \$208.0 billion in FY04, an increase of 102.8% or \$105.4 billion from FY03. Trading volumes reached record levels of 251.7 billion shares (FY03:113.5 billion). As a result, securities clearing fees more than doubled from \$66.9 million in FY03 to \$141.4 million. Account maintenance and processing fees grew 26.3% to \$42.1 million

Well Diversified Revenue



Growth in Asian Derivatives Underpinned Improvement in Average Clearing Fees



compared with \$33.4 million in the previous year. This was mainly due to the surge in volume of contract notes processed for member companies, corporate actions processing, as well as an overall increase in the provision of various account maintenance services in view of higher market activity.

Derivatives Clearing Revenue

Derivatives clearing revenue registered healthy growth of 15.9% from \$43.0 million in FY03, ending the year at \$49.9 million. Although Eurodollar futures volume fell to 15.24 million from 20.67 million the previous year in view of competition from Globex, the impact on revenue was offset by higher volume from our Asian derivatives, which enjoy higher profit margins, and revenue sharing generated by the trading of Eurodollar contracts on Globex platform.

Under the terms of the MOS agreement with CME, SGX is not allowed to offer Eurodollar contracts on our electronic trading platform. However, we are entitled to share a portion of revenue generated from Eurodollar contracts traded on Globex during the Asian time zone. This revenue of US\$0.96 million (\$1.63 million) in FY04 forms part of SGX's net derivatives clearing revenue.

Average clearing fees per contract rose from \$1.19 in FY03 to \$1.37 in FY04. Although total volumes increased marginally by 0.12%, revenue growth was supported by contributions from higher-margin Asian derivatives products, which posted record volumes of 19.72 million contracts compared to previous financial years (FY03: 14.24 million, FY02: 13.13 million).

The Nikkei 225 stock index contract recorded volumes of 7.93 million (FY03: 5.77 million, FY02: 4.62 million), due to recovery in the Japanese economy. Trading in the Nikkei 225 contract also benefited from the contract's inclusion in the MOS arrangement with CME, which facilitates round-the-clock trading. MSCI Taiwan Index futures contracts closed the year at 6.49 million contracts

(FY03: 4.98 million, FY02: 4.27 million) while MSCI Singapore Index futures contracts achieved volumes of 1.35 million (FY03: 0.88 million, FY02: 0.56 million).

The outlook for Asian derivatives futures is good. Recovery in the Japanese economy should sustain interest in Japan-linked derivative products, while synergies between the cash and derivatives markets should provide growing demand for MSCI Singapore Index futures. In general, we expect the rising proportion of Asian derivatives to diversify away from our dependence on Eurodollar futures, and support steady revenue growth.

Stable Revenue

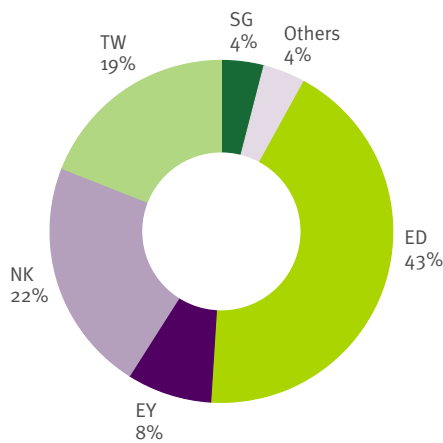
Our stable revenue includes listing fees, membership fees and data services. Stable revenue rose to \$82.9 million in FY04 from \$75.2 million in FY03.

Listing and membership fees rose 24.1% from FY03 to \$21.2 million. This was due to stellar growth in the number of new listings, and the revision in annual listing fees from March 2003.

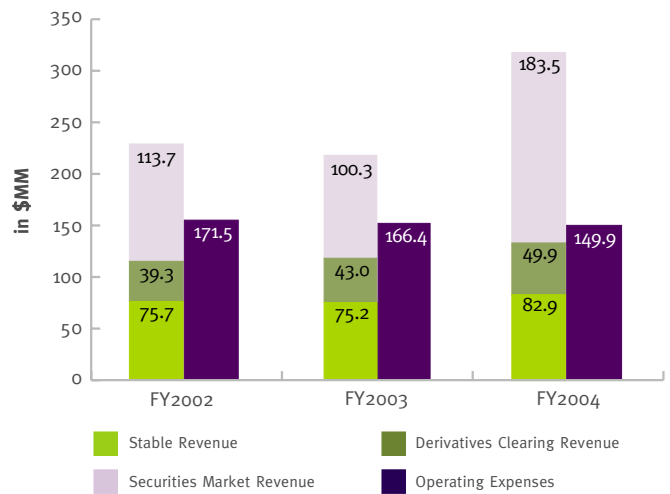
Although our data services business is still nascent, price information fees increased by 6.9% from FY03 to \$13.6 million, driven primarily by higher income from the sale of securities datafeed. Modest growth resulted from efforts to unlock asset value by providing retail and institutional investors with access to 50 levels of bid and offer prices of various stocks through brokers and data vendors who subscribe to SGX SecuritiesBook. The re-pricing of our securities and derivatives datafeed, effective in FY05, will further align us with international practices. Data services revenue is poised for further growth as we enhance existing products, develop new products and explore new distribution channels.

Going forward, efforts to develop our data services business and build the Exchange as a listings platform will enhance our stable revenue.

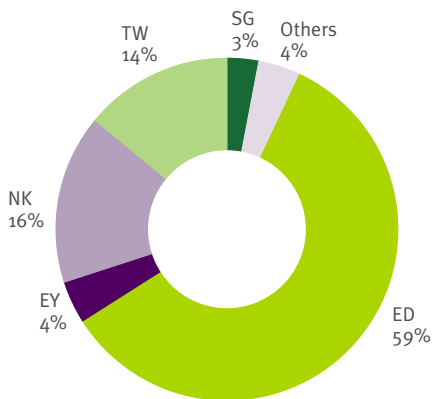
Derivatives Contracts Volume – FY2004



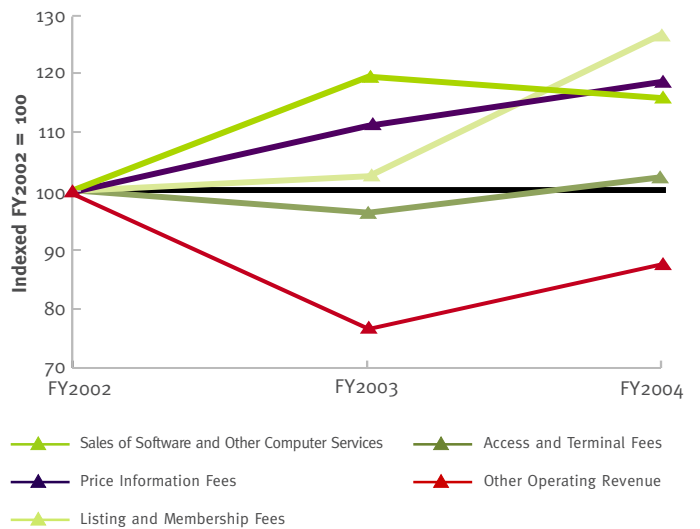
Stable Revenue and Net Derivatives Clearing Revenue Cover an Increasing Proportion of Operating Expenses



Derivatives Contracts Volume – FY2003



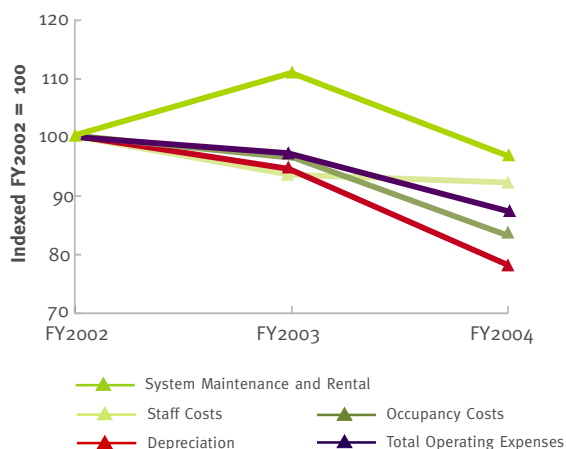
Steady Growth from Listing and Price Information Fees



ED Eurodollar
 NK Nikkei 225 Stock Index
 EY Euroyen
 TW MSCI Taiwan Index Futures
 SG MSCI Singapore Index Futures

▲ Sales of Software and Other Computer Services
 ▲ Access and Terminal Fees
 ▲ Price Information Fees
 ▲ Other Operating Revenue
 ▲ Listing and Membership Fees

Continued Cost Control



In FY02, stable and net derivatives clearing revenue covered 67.1% of total operating expenses. This percentage rose to 71.1% in FY03 and 88.6% in FY04. With a substantial portion of our cost base covered, minimal contribution from securities market revenue is required to help us breakeven. Thus, notwithstanding volatile securities market revenue, our revenue structure provides downside protection in a bear market and positions us for strong upside in rising stock markets.

Cost Control

Cost control has led to a steady decline in total operating expenses since FY02. SGX saw a 9.9% drop in total operating costs from FY03 to \$149.9 million in FY04, a result of efforts to consolidate operations and increase efficiencies. Key components of our operating expenses include staff costs, system maintenance and rental expenses, and occupancy costs.

Headcount fell from 809 in FY03 to 650 at end FY04. Excluding Asia Converge and variable bonuses, staff costs have declined 27.4% between the two financial years. With bonuses included, overall staff costs decreased 1.7% to \$68.9 million. We will continue to make our wage structure more flexible by placing greater

reliance on variable bonuses to reward staff for their contributions to good corporate performance.

Total occupancy costs fell by 13.8% to \$15.0 million as we have negotiated a reduction in our rental leases. In July 2004, 100% of our surplus space at Equity Plaza has been taken up by sub-tenants. \$4.4 million of the \$10.0 million surplus lease provision for premises at Equity Plaza was utilised in the current financial year. The remaining provision for the surplus lease will be completely utilised upon expiry of the Equity Plaza lease by end FY06.

Depreciation costs fell significantly to \$18.4 million as a result of fully depreciated assets in FY04. However, we expect this cost to increase as we continue making investments in technology-related infrastructure. System maintenance and rental expenses fell by 12.7% to \$18.3 million as we ceased operations for Asia Converge in September 2003, and successfully re-negotiated maintenance contracts.

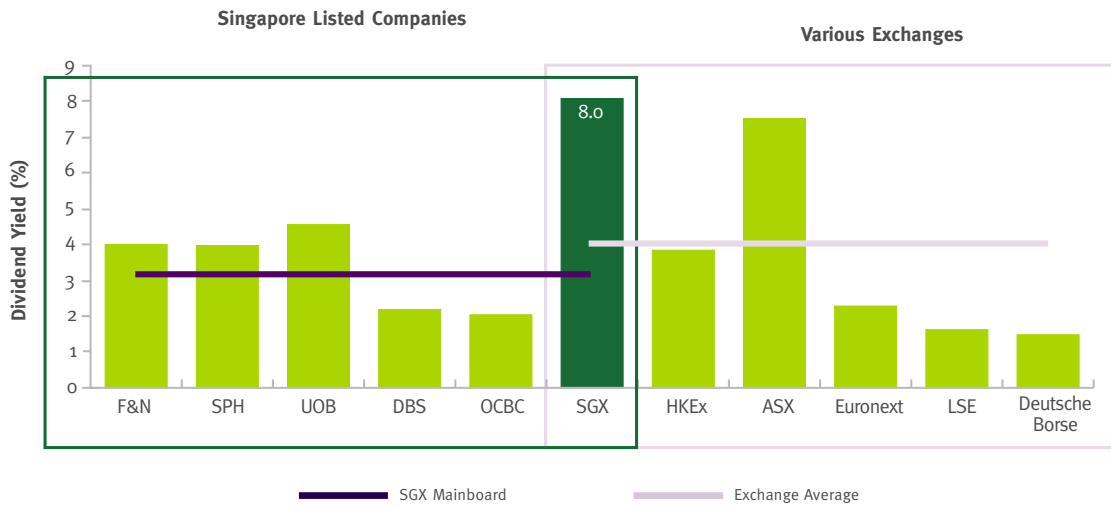
Total capital investment amounted to \$16.2 million in FY04. Key projects include SGX QUEST, SGXTrade, SGXNet and Business Continuity infrastructure.

Shareholder Returns

Return on Equity improved 18.8 percentage points to 20.8% in FY04, a consequence of robust earnings and lower shareholders' funds following the special and final dividend payment of \$299.7 million for FY03, and the interim dividend of \$24.0 million for FY04.

The proposed final gross dividend of 10.575 cents for FY04 includes a special dividend of 6.500 cents, conditional on shareholders' approval at the coming AGM in September 2004. If approved, the total gross dividend for the year will amount to 13.500 cents per share (10.800 cents net of tax). The recommended net dividend payout of \$111.1 million, including the net interim dividend, corresponds to a 83.6% payout of the Group earnings

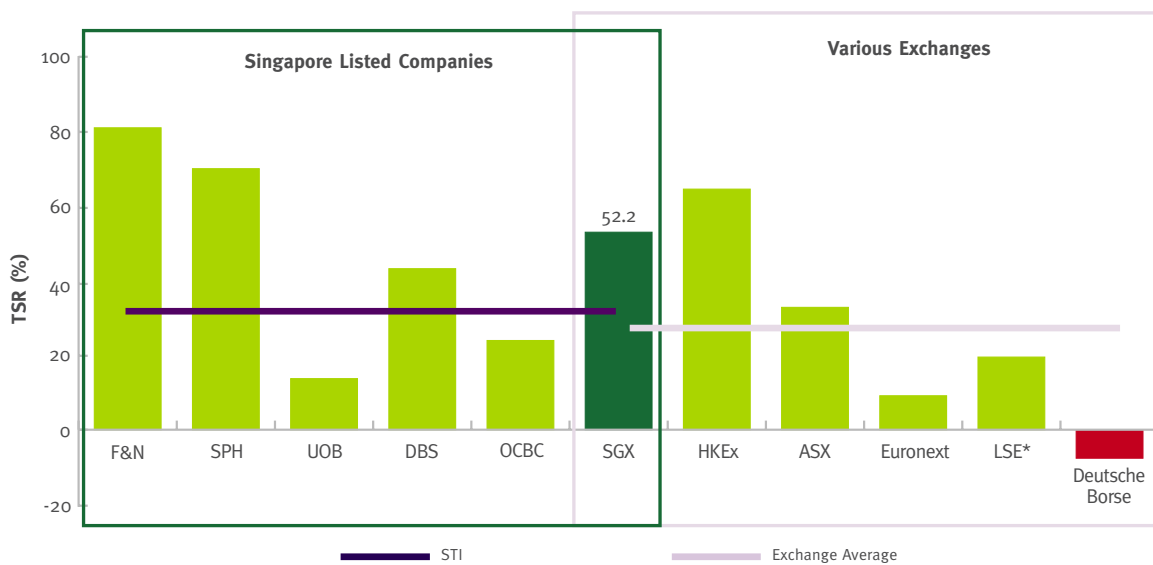
Attractive Dividend Play



Source: Bloomberg, SGX

Dividend Yield = Gross Dividend of Last FY/Last Traded Price @ 30 June 04; Excludes Capital-Related Special Dividend & Capital Return

Total Shareholder Return (from 1 July 2003 to 30 June 2004)



Source: Bloomberg, SGX

* Includes special dividend payable in Aug 04

for FY04, taking into account the Group's strong financial performance, good cash and retained earnings position, and expected future operational funding needs.

Going forward, our board expects to declare annual dividends of not less than 50% of the annual net profit after tax and after contribution, if any, to the fidelity funds, or a minimum gross annual dividend of 7.000 cents (equivalent to a minimum net annual dividend of 5.600 cents at current tax rate of 20%), whichever is higher, for the foreseeable future. The minimum gross annual dividend was 6.500 cents previously.

Using SGX's closing share price as at 30 June 2004, our gross dividend yield (including gross special dividend) of 8.0% indicates that we are well above the average dividend yield of listed companies on our Mainboard, as well as that of peer exchanges.

Our share price appreciated 21.7% from \$1.38 on 1 July 2003, ending at \$1.68 on 30 June 2004. The first half of FY04 saw active trading in our stock due to an impending special gross dividend of 34.000 cents per share. In October 2003, as the market factored in the dividend and market sentiment improved, our stock rose to \$2.13 (an all-time high). Our share price in the second half of FY04 was in line with general stable market trends, with small peaks in January and April following the announcement of interim financial results.

We have outperformed the majority of our peer international exchanges in terms of total shareholder returns this financial year. SGX's total return to shareholders (capital gains plus dividends) was 52.2% in FY04, far exceeding the average of 28.0% across listed exchanges and the benchmark STI's 31.4%.

Going forward, we will continue to optimise our capital structure and explore options to enhance shareholder value. To this end, shareholders' approval will be sought at the coming EGM to establish a Share Purchase

Mandate for the purchase of up to 10% of SGX's ordinary shares. This will give SGX greater flexibility to manage its capital, and offer an alternative to traditional dividend payments. For further details, please refer to our Circular to Shareholders dated 23 August 2004, in relation to the proposed Share Purchase Mandate.

Cash Flow and Liquidity

As at 30 June 2004, the Group had cash and cash equivalents balance of \$452.3 million, compared to \$221.5 million in FY03. Cash generated from operations, before tax and dividend, rose by 166.2% to \$202.3 million on the back of strong profits in FY04.

Regarding investing activities, higher cash inflow arose from the liquidation of our fixed income portfolio which was managed by external fund managers, and redemption upon maturity of our in-house investment in fixed income securities. We liquidated the externally managed portfolio in view of potential volatility in the fixed income market in anticipation of the rise in global interest rates. The \$345.4 million proceeds were more than sufficient to cover the \$323.7 million dividend paid in FY04, which mainly comprised the final and special dividend in respect of FY03. Payment for capital expenditure fell as a result of project re-prioritisation. Going forward, we remain focused on building future capabilities to serve our different customers, and expect to continue funding infrastructure initiatives internally.

Cash flow from financing activities rose to \$32.3 million as 26.4 million of ordinary shares were issued when employees exercised their share options under the SGX Share Option Plan. As at 30 June 2004, there were 35.0 million outstanding share options.

Capital Structure and Financial Risk Management

The Group has been 100% equity financed and debt free since FY00. Excess cash is kept in cash and bank deposits with major financial institutions. To enhance

investment returns, we have placed approximately \$150.0 million with a broad group of fund managers employing market neutral strategies. Notwithstanding our strong cash position, we have put in place \$300.0 million of standby bank credit facilities for emergency funding needs. This comprises \$150.0 million in committed share financing and \$150.0 million in committed unsecured credit lines.

As at 30 June 2004, we issued US\$65.0 million of unsecured standby letters of credit to CME as margins for derivatives trading. These contingent liabilities are backed by margin deposits from member companies. We also provide an unsecured guarantee of A\$4.8 million to ASX International Services Pty Ltd for obligations incurred under the SGX-ASX co-trading link.

In the event of a securities member default, the CDP Clearing Rules commit us to provide standby credit of \$75.0 million to the CDP Clearing Fund. CDP also has insurance to supplement the Clearing Fund. Similarly, in the event of a derivatives member default, we are committed to provide standby credit of \$68.0 million in financial guarantees to our subsidiary, SGX-DC. Please refer to page 113, Note 22 of the Financial Statements.

Apart from insurance for the clearing fund, major group insurance policies include Industrial All Risks (properties), Computer Insurance (damage to computer hardware) and Professional Indemnity Insurance (third party claims). We review our insurable risk profile regularly to optimise insurance coverage and cost.

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

Accounting Policies

The Group's financial statements have been prepared in accordance with the Singapore Financial Reporting Standards issued by the Council on Corporate Disclosure and Governance. We have adopted the same accounting policies and methods of computation in the financial statements for both current and previous financial years.

Prospects in the Year Ahead

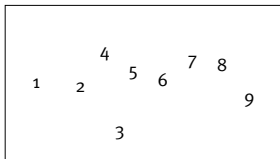
Our twin objectives in the coming year will be to grow our domestic market and strengthen our position as an Asian hub for issuers and investors.

On the domestic front, we will explore measures to develop our retail investor base. We will also seek to grow the revenue contribution of our data business to bring it in line with other markets.

Although our Eurodollar contract continues to face intense competition, we anticipate that Asian derivatives will perform well in view of the positive outlook for regional equity markets. We continue to encourage electronic trading in our derivatives market and expect a further rise in the volume when our Nikkei 225 contract is included for electronic trading during the trading hours of the underlying cash market. We will also work on introducing new products, in particular, the re-launch of a domestic equity options market.

Listings of foreign companies, especially those from China, will remain an important feature of our market as we look beyond our shores to expand our business. In addition, we will focus efforts on forging strategic alliances to develop products and markets for mutual benefit.

EXECUTIVE COMMITTEE



1 Mr Linus Koh Kia Meng 2 Mr Ang Swee Tian 3 Mr Hsieh Fu Hua 4 Mr Gan Seow Ann 5 Mr Chew Hong Gian
6 Mr Seck Wai Kwong 7 Mr Daniel Tan Bak Hiang 8 Mr Alan Shaw (up to 30 June 2004) 9 Mr Peter Chia Chon Hian
Not in picture: Ms Yeo Lian Sim (as of 1 July 2004)

MR HSIEH FU HUA
Chief Executive Officer

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

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

MR 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 Manager of SIMEX and had served as Head of Money Market in the Banking Department and as Deputy Insurance Commissioner in the Insurance Commissioner's Department of the Monetary Authority

of Singapore. Mr Ang holds a 1st class (Hons) degree in Commerce from Nanyang University of Singapore and a Master degree in Management (with distinction) from Northwestern University, USA.

MR CHEW HONG GIAN
Executive Vice President

Mr Chew Hong Gian heads the Technology Group and currently oversees the development of a new trading infrastructure for the securities and derivatives markets. He previously held several senior positions at the Exchange, where he was responsible for managing depository operations, marketing brokerage technology solutions and establishing an in-sourcing service. Mr Chew started his career with the National Computer Board and later joined the Monetary Authority of Singapore where he participated in a strategic review of Singapore's financial sector. Mr Chew graduated from the University of Michigan with a Bachelor (highest 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 CHON HIAN
Executive Vice President

Mr Peter Chia heads the Corporate Strategy and Business Development Group. He was previously the division head of the Exchange's Securities Clearing and Depository where he successfully led the team in implementing the securities lending programme and CDP's internet and phone services. Prior to that, he was the head of Public Affairs at the Stock Exchange of Singapore.

Prior to joining the Exchange in 1987, Mr Chia was 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 the Markets Group, responsible for marketing SGX's products and services, including attracting companies to list on SGX. He also leads the group in managing business relationships with SGX's customers, including issuers, intermediaries, institutions, traders and retail investors. Prior to joining SGX, he was 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 LINUS KOH KIA MENG
Executive Vice President

Mr Linus Koh heads the Products and Services Group, where he will drive the Exchange's efforts in developing and broadening the range of securities and derivatives instruments.

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

Mr Koh sits on the Council and Executive Committee of the Singapore Institute of International Affairs. He

holds a 1st class Honours degree in Economics from Sheffield University and a Master of Science degree in Management from the Massachusetts Institute of Technology.

MR SECK WAI KWONG
Executive Vice President and CFO

Mr Seck Wai Kwong is Chief Financial Officer and heads the Corporate Services Group. Prior to this, he was the Managing Director & Head, Investment Products and Bancassurance Group of Development Bank of Singapore Ltd (DBS Bank), where he directed the wealth management business of the bank.

Mr Seck has held positions in the Monetary Authority of Singapore (MAS), and the Government of Singapore Investment Corporation (GIC). He was also adviser to the Investment Company of the People's Republic of China (ICPRC) in 1995, and Managing Director of Lehman Brothers Inc from 1995 to 1999. He is currently serving on the boards of the Land Transport Authority and the Energy Markets Authority.

Mr Seck holds a Master of Business Administration (with Distinction) from the Wharton School, University of Pennsylvania, USA, and a Bachelor of Economics (1st class Honours) from Monash University, Australia.

MR DANIEL TAN BAK HIANG
Executive Vice President

Mr Daniel Tan heads the Operations Group, where he oversees the management of the securities and derivatives trading, clearing and settlement processes, securities depository and customer service functions. When he was heading the Exchange's Information

Technology division, Mr Tan played a key role in the implementation of SGX's strategic IT initiatives and was responsible for aligning these initiatives with the exchange's strategic vision. Prior to joining SGX in 1983, he was with the Housing and Development Board. Mr Tan holds a degree in Computer Science from University of Toronto, Canada.

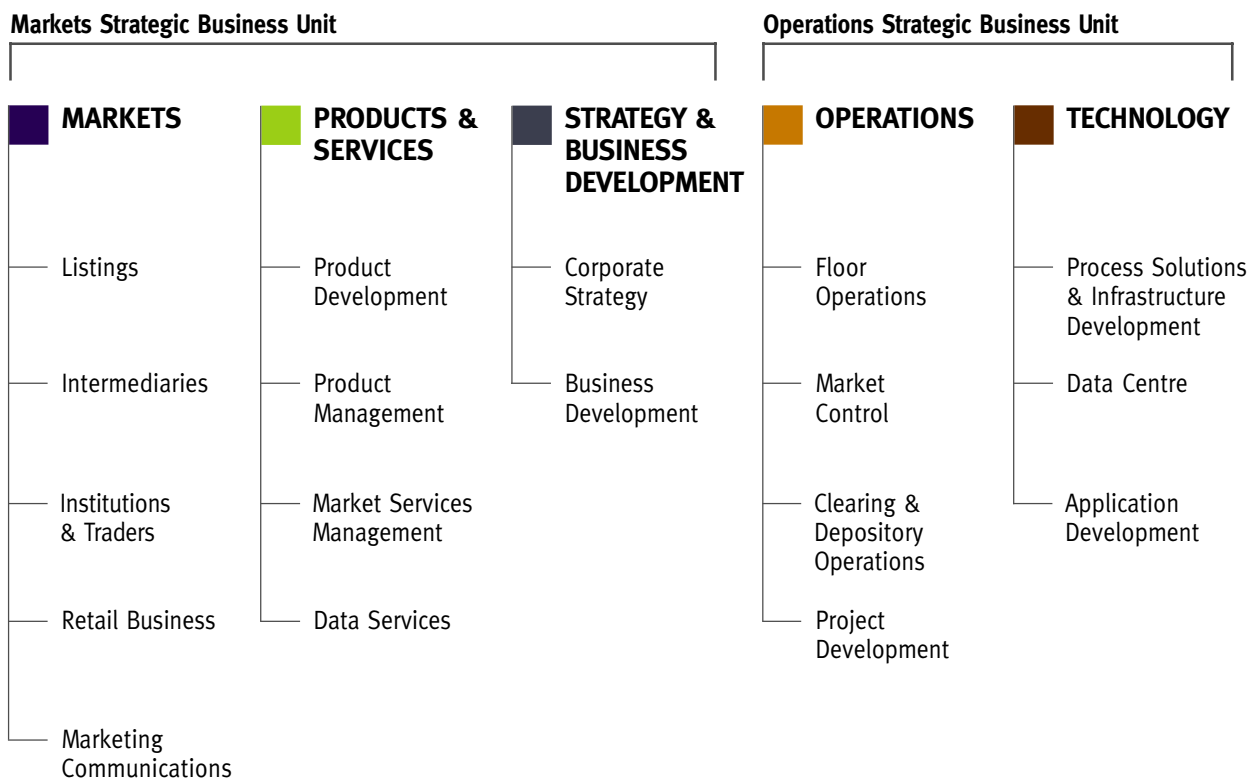
MS YEO LIAN SIM

Executive Vice President (As of 1 July 2004)

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

Ms Yeo has extensive experience from the Monetary Authority of Singapore (MAS) and Temasek Holdings. At Temasek Holdings, Ms Yeo was responsible for capital resource management. Prior to joining Temasek, Ms Yeo was Deputy Managing Director at MAS. As head of the Market Conduct Group at MAS, her principal responsibilities were to provide senior management direction over key financial market conduct, consumer and developmental issues, as well as to oversee the regulation of the securities and futures markets and intermediaries. She also chaired the payments and settlements committee.

ORGANISATION CHART



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

Products and Services drives our product development and product management efforts

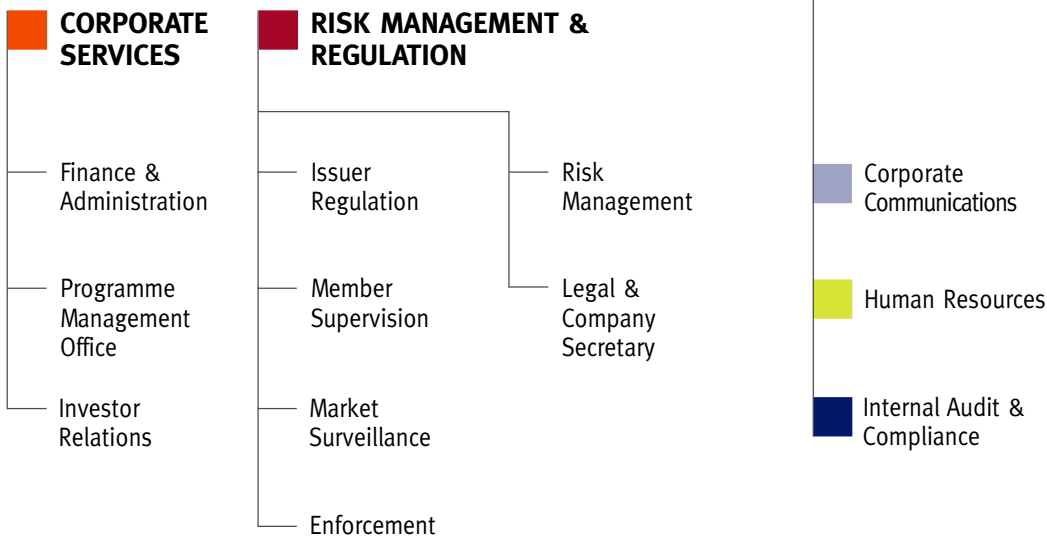
Strategy and Business Development focuses on developing our strategic direction and new business ventures

Operations manages trading, clearing and settlement operations for securities and derivatives, as well as securities depository functions

Technology focuses on process solutions and infrastructure development, application development and the operations of the data centre

OFFICE OF THE CHIEF EXECUTIVE OFFICER

Hsieh Fu Hua (CEO)
Ang Swee Tian (President)



Corporate Services oversees the finance & administration, programme management and investor relations functions

Risk Management and Regulation supervises our members, listed companies and market activities to ensure market integrity and minimise the risk of default. The Exchange's legal function also falls under this Group

Corporate Communications develops and manages the SGX brand as well as programmes to foster relations with the media and the public, to enhance its social responsibility to the community and to promote better internal communications

Human Resource develops and manages SGX's people strategy in human resource practices, programmes and processes to achieve business objectives

Internal Audit and Compliance provides independent and objective opinion as to the adequacy and effectiveness of the internal processes and controls, assists in evaluating and improving the effectiveness of SGX's risk management, control and governance processes, and helps the Exchange manage its compliance risks

RISK MANAGEMENT

SGX performs a Central Counterparty (CCP) role in its securities and derivatives exchanges. It interposes itself between counterparties of financial contracts traded in one or more markets, becoming the buyer to every seller and the seller to every buyer. With the risks of counterparties concentrated with SGX, it is important to have in place a sound risk management framework that ensures the stability of the financial market. In addition, a cost-efficient and robust trading, clearing and settlement infrastructure must be built, to enable participants to carry out and settle their trades expeditiously in an orderly, transparent and fair market.

SGX has established a comprehensive approach to managing risks across the organisation, utilising the integrated efforts of all risk management functions and placing responsibility with all risk owners, including senior management.

The SGX board has overall responsibility for risk management and determines the risk appetite that the Company undertakes to achieve its business objectives. A board-level Risk Management Committee comprising of a majority of non-executive directors was recently established to further strengthen the oversight of the risk management function. In addition, a review has been initiated to establish a formal Enterprise Risk Management Framework which will be supported by a Control and Risk Self-Assessment software which identifies and manages SGX's strategic and process risks.

Counterparty Credit and Liquidity Risks

Counterparty credit risk is the potential loss arising from a participant's inability to settle its trades, typically as a consequence of insolvency of the participant. The potential loss can arise from pre-settlement or replacement cost risk, which is the cost of replacing the open contracts of the participant. It can also come

from settlement risk, which is the full principal value of the security or cash settlement that the participant is unable to honour.

Liquidity risk is the potential risk that SGX is unable to obtain adequate financial resources to fulfil its payment obligations on schedule to non-defaulting participants, in the event that one or more participants default.

SGX adopts a multi-pronged approach in managing credit and liquidity risks and these include:

- a clear and effective legal framework to ensure the enforceability of participants' obligations in the event of default or insolvency
- stringent admission criteria for participants
- rigorous monitoring to ensure that participants comply with the capital and financial resources requirements and have a robust operational capacity
- ensuring that it has adequate financial resources to withstand defaults by participants through collateral requirements, insurance, bank facilities and liquid resources
- regular stress testing of default scenarios and impact to validate the adequacy of financial resources
- clear procedures to apply in the event of a participant default

Settlement Bank Risk

Settlement bank risk arises when a bank that provides cash accounts for SGX and its participants for money settlement fails. Such a situation may create credit and liquidity pressures for SGX.

SGX adopts strict criteria in the appointment of its settlement banks. Thereafter, regular monitoring of the settlement bank's creditworthiness, access to liquidity and operational reliability is undertaken. SGX also monitors the concentration of participants as well as its own exposure to a settlement bank.

Custody Risk

SGX holds assets belonging to participants in the form of cash or securities during the normal conduct of its business. It has an obligation to safeguard such assets. Such assets are typically custodied with SGX's custodian banks.

Should a custodian bank act negligently, commit fraud or become insolvent, the cash held by the bank may be lost or its availability for use may be impaired.

SGX manages custodian bank risk by adopting stringent criteria for the selection of custodian banks. Regular monitoring of the custodian bank's financial condition and their ability to safeguard assets deposited with them is also undertaken.

Operational Risk

Operational risk is the risk of deficiencies in systems and controls, human error, management failure or disruptions from external events such as natural disasters, terrorism, or health crises, which can result in unexpected losses.

SGX has a sound operational risk management framework that ensures operational risks are identified, monitored and effectively managed. The backbone of the framework is its sound system of internal controls and robust systems infrastructure. The framework also includes periodical risk and control self-assessments, a business continuity management programme to mitigate risks from external events, and a programme to ensure that risk and control assessments are made for new products, services and other initiatives such as outsourcing.

Our business continuity management programme is aimed at minimising the impact to our business due to operational disruptions and focuses on the rapid recovery and resumption of critical business functions

for the fulfilment of business obligations. The SGX board and management are fully committed to ensuring that there is a sound business continuity management programme in place.

The programme includes:

- establishing a secondary site to house our key IT infrastructure, which also serves as an alternate site for the continuation of critical business operations in the event of unforeseen disruptions
- developing a comprehensive Business Continuity Plan supported by regular internal as well as industry-wide drills to test the effectiveness of the plans as well as to enhance SGX's and the industry's state of readiness in the event of such disruptions

Independent Assurance

Independent assurance to the board and management as to the effectiveness of risk management is provided by external and internal auditors through regular reviews of the key risks faced by SGX and the controls put in place to mitigate these risks, in line with SGX's risk appetite.

REMUNERATION REPORT

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

Wong Ngit Liong (Chairman)
 J Y Pillay
 Hsieh Fu Hua
 Richard Gnodde
 Low Check Kian
 Ng Kee Choe

SGX's compensation philosophy is to instill a pay-for-performance culture, built upon organisational performance and individual excellence. For this purpose, both external and internal equity are important in developing, administering and maintaining the reward programmes.

During the year, we embarked on a review of our performance appraisal framework and compensation structure.

Compensation Mix

Our compensation framework is made up of four key components:

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

Fixed Pay

Fixed pay comprises a base salary, annual wage supplement (AWS) and fixed allowances. Our guaranteed base is pegged to the 50th percentile of the reference market, comprising Singapore Banking and Financial Services Industry and supplemented by Singapore General Industry.

Short Term Incentives

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

Organisation performance is based on the achievement of SGX's corporate key performance indicators (KPIs). The KPIs are reviewed and adjusted at the commencement of each financial year to ensure 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 the variable bonus pool for distribution to employees.

Long Term Incentives

Long term incentives are granted annually in the form of performance share options to senior management and high performing employees. The objective is to reward and retain top talent in SGX.

Benefits

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

SGX's Share Option Plan (the Scheme)

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

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

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

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.

Restrictions

The aggregate nominal amount of new SGX shares over which options may be granted under the Scheme on any date, when added to the nominal amount of new

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

Disclosure On 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 two executive directors of the Group for FY2004:

Executive	Fixed Pay	Variable Bonus	Benefits-in-Kind	Total	Options Granted
J Y Pillay	\$545,526	\$680,000	\$72,934	\$1,298,460	–
Hsieh Fu Hua	\$691,346	\$2,166,667*	\$90,242	\$2,948,255	4,000,000**

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 in respect of the financial year ended 30 June 2004. They are: Ang Swee Tian, Chew Hong Gian, Peter Chia Chon Hian, Gan Seow Ann, Alan Shaw, Seck Wai Kwong, Daniel Tan Bak Hiang and Linus Koh Kia Meng***.

Remuneration Band and Name of EXCO Member	Fixed Pay	Variable Bonus	Benefits-in-Kind	Options Granted****
\$750,000 to \$1,000,000				
Ang Swee Tian	56%	43%	1%	
Gan Seow Ann	51%	48%	1%	
Seck Wai Kwong	49%	50%	1%	
Alan Shaw	42%	48%	10%	
\$500,000 to \$749,999				
Chew Hong Gian	50%	49%	1%	
Peter Chia Chon Hian	57%	42%	1%	
Daniel Tan Bak Hiang	56%	43%	1%	

The remuneration band excludes options granted.

Footnote:

* \$542,000 of the variable bonus is in respect of FY2003.

** Hsieh Fu Hua is given 2 million share options for each year of service, including 4 million share options on first anniversary date.

*** Linus Koh Kia Meng joined SGX on 20 May 2004 and banding to end-June is not meaningful.

**** Options in respect of FY2004 will be granted only in 1 November 2004.

BALANCING_{ACT}

WE REMAIN COMMITTED TO UPHOLDING SHAREHOLDER VALUE AND MAINTAINING HIGH STANDARDS OF CORPORATE GOVERNANCE AND TRANSPARENCY, AS WE PROGRESS TOWARDS A DISCLOSURE-BASED REGIME.



CORPORATE GOVERNANCE REPORT

Principle 1 : Board's Conduct of its Affairs

- 1.1 The board oversees SGX's business affairs. The key matters for board oversight include:
 - (a) approving broad policies, strategies and objectives of the company
 - (b) monitoring management performance
 - (c) overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance
 - (d) approving annual budgets, major funding proposals, investment and divestment proposals
 - (e) assuming responsibility for corporate governance
- 1.2 Matters which are specifically reserved to the board for approval are:
 - (a) matters involving a conflict of interest for a substantial shareholder or a director
 - (b) material acquisitions and disposal of assets
 - (c) corporate or financial restructuring
 - (d) share issuances, dividends and other returns to shareholders
 - (e) matters which require board approval as specified under the company's interested person transaction policy
 - (f) any investments or expenditures exceeding \$5 million in total
- 1.3 To assist in the execution of its responsibilities, the board has established six board committees, namely, the Nominating Committee (NC), the Audit Committee (AC), the Compensation and Management Development Committee (CMDC), the Appeals Committee, the Strategy Committee (SC) and the Conflicts Committee (CC). The terms of reference and composition of each board committee are available at www.sgx.com. The composition of each board committee is also found at page 124 of the annual report.
- 1.4 The board meets at least six (6) times a year. The frequency of meetings and the attendance of

each director at every board and board committee meeting is disclosed in this Report.

Director Training

- 1.5 SGX conducts a comprehensive orientation program to familiarise new directors with SGX's business and governance practices. The aim of the orientation program is to give directors a better understanding of SGX's business and allow them to assimilate into their new roles.
- 1.6 Each director is provided with an annually updated manual containing board and company policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving SGX, prohibition on dealings in SGX's securities and restrictions on the disclosure of price-sensitive information. Directors are also informed on regulatory changes initiated by or affecting SGX.
- 1.7 SGX has an on-going training budget for directors to receive further relevant training of their choice in connection with their duties - relevant courses include programs run by the Singapore Institute of Directors. Directors are also welcome to request further explanations, briefings, or information on any aspect of SGX's operations or business issues from management.

Principle 2 : Board Composition and Balance

- 2.1 The board comprises twelve (12) directors. The Chairman and the CEO are the only executive directors, while the remaining ten (10) directors are non-executive and independent of SGX.
- 2.2 Each director has been appointed on the strength of his caliber, experience and his potential to contribute to SGX and its business. Please refer to the "Board of Directors" section of the annual report for the individual directors' profiles.

- 2.3 The board considers that the present board size facilitates effective decision-making and is appropriate for the nature and scope of SGX's operations.

Principle 3 : Chairman and CEO

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

Principle 4 : Board Membership

- 4.1 The NC is chaired by Mr Low Check Kian, an independent and non-executive director (NED). It comprises six (6) directors, the majority of whom are independent.
- 4.2 The NC recommends all appointments and re-appointments of directors to the board and board committees. As an exchange holding company, all appointments and re-appointments to the board, the NC and the Conflicts Committee are subject to SGX's regulator's (MAS) prior approval.
- 4.3 The NC is also charged with determining the independence of directors. They have conducted

their annual review, using the Code's criteria for independence, and have ascertained that all NEDs are independent.

- 4.4 As a matter of policy, NEDs are expected to serve for four (4) to six (6) years. In exceptional cases, the NC may recommend the extension of a director's service.
- 4.5 The board renewal process, which began last year, is continued this year by the retirement/resignation of three (3) directors who have each served on the board for a minimum of four years. The NC has reviewed the qualifications of suitable candidates and identified suitable proposed directors. The profiles of the proposed directors who will be standing for election in the AGM may be found in the "Proposed Directors" section of the annual report.

Principle 5 : Board Performance

- 5.1 For the second year running, SGX commissioned an independent consultant, Egon Zehnder to conduct a formal and independent assessment of the functions and effectiveness of the board as a whole. The assessment report was reviewed by the board and the recommendations duly noted.
- 5.2 The assessment concentrated on the qualitative factors in the functions and workings of the board instead of the financial performance indicators set out in the Code. SGX is of the view that such financial performance indicators are more appropriate as a measure of management's performance. The company's share price performance over a period of 5 years, adjusted for returns, against the benchmark index of the All-Sing Equities Index, and total shareholder return are considered to be relevant criteria for assessment. However, these criteria will be applied when SGX has passed 5 years as a listed company.

- 5.3 The assessment of each director's performance is undertaken by the Chairman and the results of the assessment are discussed with the NC chairman. The criteria for assessment include attendance record, intensity of participation at meetings, the quality of interventions and special contributions.
- 5.4 The assessment of the Chairman's performance is undertaken by the NEDs, led by the NC chairman.

Principle 6 : Access to Information

- 6.1 Board memos accompany each decision and mandate sought by management, and give the context, explanatory information and justification, where applicable, for relevant budgets, forecasts and projections. Additionally, all analyst reports on SGX are forwarded to the board on a regular basis in order for directors to keep abreast of analyst views on SGX's performance.
- 6.2 Board and board committee papers are distributed a week in advance of the meetings to directors. Staff who can provide additional insight into matters to be discussed will be present at the relevant time during the board and board committee meetings. Draft agendas for board and board committee meetings are circulated to EXCO and board committee members respectively in advance in order for them to add items to the agenda.
- 6.3 The Company Secretary's role is to advise the board through the Chairman on all governance matters, ensuring that board policies and procedures are complied with as well as facilitating director's induction and training. Where directors, whether individually or as a group, require independent professional advice, the Company Secretary will appoint a professional adviser with costs to be borne by SGX.
- 6.4 Board interaction and independent access to senior management is encouraged. All EXCO

members attend all board meetings. In addition, board members have the contact details of each EXCO member.

Principle 7 : Procedures for Developing Remuneration Policies

- 7.1 Mr Wong Ngit Liong, an independent and NED, chairs the CMDC. The majority of the CMDC are independent. No CMDC member or any director is involved in deliberations in respect of any remuneration, compensation, options or any form of benefits to be granted to him.
- 7.2 The CMDC approves the framework for remuneration of the entire organisation. The NC, together with the CMDC chairman, decides on the specific remuneration packages for executive directors and senior management upon recruitment. Thereafter, the CMDC will approve the annual increment and variable bonus budgets proposed by management.

Principle 8 : Level and Mix of Remuneration

- 8.1 NEDs are remunerated based on a framework of basic and attendance fees for serving on the board and board committees.

The framework for directors' fees is as follows:

- (a) basic fee - \$30,000 per annum
- (b) attendance fees - \$1,200 per meeting except for the AC

- 8.2 Fees for NEDs are subject to the approval of shareholders at the AGM. Executive directors do not receive director's fees. A breakdown of the fees payable to each director is given at the end of this Report.
- 8.3 The AC chairman and the AC members receive additional fees (of \$15,000 and \$7,500 respectively) to take into account the nature of

their responsibilities and the greater frequency of meetings in light of SGX's quarterly reporting practice. They do not receive attendance fees for AC meetings.

- 8.4 NEDs do not have service contracts and their terms of appointment are specified in the Articles. They are required to seek nomination and re-election at regular intervals. No compensation is payable for the early termination of an NED. The CEO has a 3-year service contract, terminating on 28 February 2006. As with the market practice for fixed term contracts, should the CEO's contract be terminated on a "no fault basis" before the expiry of the 3-year term, compensation will be payable up to the expiry of the contract.
- 8.5 The Chairman has a service contract for the duration of his appointment as a director. There are no compensation provisions for the termination of the Chairman's contract. Both the CEO and the Chairman's service contracts have a variable component linked to performance. The amount of the variable component is decided by the CMDC against the achievement of the respective goals and targets set. No director is allowed to participate in proceedings to decide his own remuneration.
- 8.6 The CMDC administers and is responsible for the allocation of options under the Employee Share Option Scheme (ESOS). Although the ESOS rules allow grants to NEDs, none of the NEDs has been granted share options. Accordingly, the CMDC is able to exercise impartial and objective judgment in the grant of share options under the ESOS as there is no self-interest involved.

Principle 9 : Disclosure on Remuneration

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

Principle 10 : Accountability

- 10.1 Management provides directors with the monthly management accounts and other financial statements within 20 days of the month-end.
- 10.2 Results for the first three quarters are released to shareholders within 30 days of the end of the quarter. Annual results are released within 45 days of the financial year end. It is the aim of the board, in presenting SGX's annual and quarterly financial statements to shareholders, to provide shareholders with a balanced and understandable assessment of SGX's position and prospects.

Principle 11 : Audit Committee

- 11.1 The AC is chaired by Mr Ho Tian Yee and comprises seven members, all of whom are independent and NEDs.
- 11.2 The other members of the AC have many years of experience in financial or investment positions. 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.
- 11.3 The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of, management and full discretion to invite any director or executive officer to attend its meetings.
- 11.4 The responsibilities of the AC include:
- (a) to review and approve, on behalf of the board, the company's quarterly financial statements
 - (b) to review the annual financial statements prior to submission to the board for approval
 - (c) to review the scope and results of the external and internal audits, and to evaluate with the internal and external auditors, the adequacy of the systems of internal and accounting controls, risk management and compliance

- (d) to review the cost effectiveness of the external audit and where the external auditors provide a substantial volume of non-audit services to the company, to review the nature, extent and costs of such services to achieve a balance between the independence and objectivity of the external auditors and the value for money for such services
- (e) to recommend to the board the nomination of the external auditors and their compensation
- (f) to review the interested person transactions, and improper activities of the company, if any

11.5 In the review of the financial statements for the year ended 30 June 2004, the AC discussed with management and the external auditors the accounting principles that were applied and their judgments of items that might affect the financial statements. Based on the review and discussions, the AC is of the view that the financial statements are fairly presented in conformity with the relevant Singapore accounting standards in all material aspects.

11.6 Once a year, the AC meets with the internal and external auditors without the presence of management to review any matters that might be raised privately.

11.7 The AC has received the requisite information from the external auditors evidencing the latter's independence. It has also reviewed the volume and nature of non-audit services provided by the external auditors during the current financial year. Based on these, the AC is satisfied that the financial, professional and business relationships between the company and the external auditors will not prejudice the independence and objectivity of the external auditors. Their re-nomination is therefore recommended by the AC.

Principle 12 : Internal Controls

12.1 SGX's system of internal controls includes the following:

- (a) a management framework that sets out clearly the control environment to enhance the control consciousness of SGX staff. Roles and responsibilities of management and staff are clearly defined. Delegated authorities, policies and procedures are documented and disseminated to staff. Staff are also made aware of the need to comply with SGX's core corporate values
- (b) regular reviews of the system of internal controls by the internal and external auditors. Significant internal control weaknesses are brought to the attention of the AC and to senior management for remedial action
- (c) a compliance function to strengthen the compliance culture in SGX

12.2 An enterprise-wide risk management framework will be implemented shortly to enhance risk and control management at the enterprise level as well as to instill greater awareness and ownership of risks and controls by the relevant business and support functions. SGX's Internal Audit department (IA) will perform independent reviews of the risks and controls identified to provide reasonable assurance to management and the AC that the risks and controls have been adequately addressed.

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

Principle 13 : Internal Audit

13.1 IA is an independent function within SGX which reports directly to the AC on audit matters, and to the CEO on administrative matters.

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

Principle 14 : Communication with Shareholders

- 14.1 SGX adopts the practice of regularly communicating major developments in its business and operations through MASNET and where appropriate, also directly to shareholders, other investors, analysts, the media, the public and its employees.
- 14.2 SGX issues announcements and news releases on an immediate basis where required under the Listing Manual. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that stakeholders and the public have fair access to the information.
- 14.3 SGX does not practise selective disclosure of material information. Material information is excluded from any briefing or is publicly released either before SGX meets with investors or analysts or concurrently with such meetings. All materials on SGX's financial results, released every quarter, and webcasts of SGX's half-year and full-year results briefings for analysts and media are available on SGX's website.
- 14.4 For details on SGX's communication with its shareholders, please refer to the "Investor Relations" section of the "Operating and Financial Review" in the annual report.

Principle 15 : Greater Shareholder Participation

- 15.1 The Articles allow a shareholder to appoint one or two proxies to attend and vote in his place at general meetings. SGX plans to set up an online channel to facilitate communication with shareholders.
- 15.2 The board and management are on hand at general meetings to address any questions that shareholders may have concerning SGX. The

external auditors are also present to assist the board in answering the relevant shareholder queries.

- 15.3 Additionally, shareholders may view the minutes of general meetings and a summary of the questions (and answers) raised at general meetings on the SGX website.

16. Code on Share Dealing and Interested Person Transaction (IPT) Policy

- 16.1 SGX has adopted an internal code which prohibits dealings in SGX's securities by directors and employees while in the possession of price-sensitive information, as well as during the period beginning one month prior to the announcement of SGX's annual and quarterly results and ending on the date of such announcement. SGX believes

that it has complied with the SGX-ST Best Practices Guide.

- 16.2 SGX has put in place an internal policy in respect of any interested person transactions of SGX (IPT Policy). There was an IPT transaction during the financial year concerning Mr Robert Stein, a former director of SGX, involving \$298,795. This amount was below the threshold limit for reporting or immediate disclosure under the Listing Manual.

17. Conflicts Committee

- 17.1 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

21. 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	7	6	-	-	4	4	
Hsieh Fu Hua	7	7	-	-	*1	*1	
Richard Gnodde	7	5	-	-	-	-	
Goh Yew Lin	7	6	3	3	4	3	
Ho Tian Yee	7	6	4	4	4	2	
Victor Liew Cheng San	7	7	4	4	4	3	
Low Check Kian	7	6	-	-	4	4	
Tang Wee Loke	7	6	4	4	-	-	
Wong Ngit Liong	7	6	1	1	-	-	
Loh Boon Chye	5	5	3	2	-	-	
Ng Kee Choe	5	5	3	3	3	2	
Geoffrey Wong Ee Kay	5	4	3	2	-	-	
George Teo Eng Kim	2	2	-	-	1	1	
Robert Stein	2	1	1	0	-	-	
Hidetoshi Mine	2	1	1	0	-	-	

Note: a) Loh Boon Chye, Ng Kee Choe and Geoffrey Wong Ee Kay appointed as a board member with effect from 22 October 2003
b) George Teo Eng Kim, Hidetoshi Mine and Robert Stein resigned as a board member with effect from 22 October 2003

* By invitation

The Appeals Committee decided on total of one appeal by written decision on 7 January 2004



Singapore Exchange Limited

Company Registration No. 199904940D

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Singapore 068804
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STRONG **GROWTH**

WITH A STRONG FOCUS ON ACHIEVING SUPERIOR RETURN ON EQUITY, WE AIM TO PROVIDE OUR SHAREHOLDERS LONG-TERM VALUE AS WE BUILD A ROBUST BUSINESS THAT MEETS THE NEEDS OF THE MARKETPLACE.



DIRECTORS' REPORT

For the financial year ended 30 June 2004

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 2004.

Directors

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

J Y Pillay	(Chairman)
Hsieh Fu Hua	(Chief Executive Officer)
Richard Gnodde	
Goh Yew Lin	
Ho Tian Yee	
Victor Liew Cheng San	
Loh Boon Chye	(appointed on 22 October 2003)
Low Check Kian	
Ng Kee Choe	(appointed on 22 October 2003)
Tang Wee Loke	
Geoffrey Wong Ee Kay	(appointed on 22 October 2003)
Wong Ngit Liong	

Arrangements to Enable Directors to Acquire Shares and Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share Options" in this report.

Directors' Interests in Shares or Debentures

- (a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the share capital of the Company and related corporations, except as follows:

	Number of ordinary shares of \$0.01 each registered in <u>name of director or nominee at</u>		Number of ordinary shares of \$0.01 each in which a director <u>is deemed to have an interest at</u>	
	<u>30.06.2004</u>	<u>01.07.2003</u>	<u>30.06.2004</u>	<u>01.07.2003</u>
<u>The Company</u>				
J Y Pillay	–	262,000	262,000	–
Hsieh Fu Hua	–	430,000	800,000	–
Goh Yew Lin	–	–	1,900,000	2,500,000

There was no change in any of the abovementioned interests in the Company or in related corporations between the end of the financial year and 21 July 2004.

Directors' Interests in Shares or Debentures (cont'd)

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

	Number of unissued ordinary shares of \$0.01 each under options held by a director at	
	<u>30.06.2004</u>	<u>01.07.2003</u>
Hsieh Fu Hua	4,000,000	–

Directors' Contractual Benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than as disclosed in the consolidated financial statements or in this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Share Options

(a) SGX Share Option Plan (the "Scheme")

The Scheme is administered by the 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
 Ng Kee Choe

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.

Share Options (cont'd)

(a) SGX Share Option Plan (the "Scheme") (cont'd)

Scheme for Non-Executive Directors and Associated Company Employees (both as defined in the Rules)

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

Restrictions

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

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>
27.01.2004	28.01.2006 to 27.01.2011	18,997,500	\$1.83

Options granted included 4,000,000 options to an executive director, Hsieh Fu Hua. Options granted to Hsieh Fu Hua are subject to the Rules of the SGX Share Option Plan, except that the share options will be exercisable through the seventh anniversary date of the grant should he leave the Company at the end of his 3-year contract.

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

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

(b) Former Chief Executive Officer's Employment Contract (the "Contract")

Options granted under the Contract

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 the financial year under review	(15,000,000)
Aggregate number of ordinary shares granted under options outstanding as at end of the financial year under review	—

Share Options (cont'd)

(b) Former Chief Executive Officer's Employment Contract (the "Contract") (cont'd)

* 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>	

(c) Unissued Shares Under Options

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

<u>Date of grant</u>	<u>Balance as at 01.07.2003 or date of grant, if later</u>	<u>Lapsed</u>	<u>Variation of exercise period*</u>	<u>Options exercised</u>	<u>Balance as at 30.06.2004</u>	<u>Number of option holders as at 30.06.2004</u>	<u>Exercise price**</u>	<u>Fair value as at 30.06.2004@@</u>	<u>Exercise period</u>
24.04.2000	4,480,000	-	-	(4,480,000)	-	-	\$1.10	N.A.	25.04.2001 to 24.04.2010
24.04.2000	5,000,000	-	-	(5,000,000)	-	-	\$1.65	N.A.	25.04.2001 to 24.04.2010
20.11.2000	4,375,000	(56,000)	-	(3,800,000)	519,000	45	\$0.92	\$0.77	21.11.2002 to 20.11.2007
20.11.2000	161,000	(24,000)	-	(137,000)	-	-	\$0.92	N.A.	20.11.2002 to 20.11.2003
20.11.2000	60,000	-	-	(60,000)	-	-	\$0.92	N.A.	20.11.2002 to 13.03.2004
20.11.2000	134,000	(12,000)	-	(122,000)	-	-	\$0.92	N.A.	20.11.2003 to 29.06.2004
20.11.2000	350,000	-	-	(350,000)	-	-	\$0.92	N.A.	20.11.2002 to 29.06.2005
24.04.2001	2,500,000	-	-	(2,500,000)	-	-	\$1.17	N.A.	25.04.2002 to 24.04.2011
03.12.2001	5,996,000	(196,000)	(125,000)	(3,122,000)	2,553,000	190	\$1.01	\$0.70	04.12.2003 to 03.12.2008
03.12.2001	588,000	(22,000)	-	(566,000)	-	-	\$1.01	N.A.	06.05.2003 to 29.06.2004
03.12.2001	525,000	-	-	(525,000)	-	-	\$1.01	N.A.	06.05.2003 to 29.06.2005
03.12.2001	104,000	-	-	(104,000)	-	-	\$1.01	N.A.	22.05.2003 to 29.06.2004
03.12.2001	4,000	-	-	(4,000)	-	-	\$1.01	N.A.	30.05.2003 to 29.06.2004
03.12.2001	36,000	-	-	(36,000)	-	-	\$1.01	N.A.	10.06.2003 to 29.06.2004

Share Options (cont'd)

(c) Unissued Shares Under Options (cont'd)

Date of grant	Balance as at 01.07.2003 or date of grant, if later	Lapsed	Variation of exercise period*	Options exercised	Balance as at 30.06.2004	Number of option holders as at 30.06.2004	Exercise price**	Fair value as at 30.06.2004@@	Exercise period
03.12.2001	157,000	-	-	(127,000)	30,000	12	\$1.01	\$0.67	04.12.2003 to 03.12.2004
03.12.2001	-	-	125,000	(100,000)	25,000	1	\$1.01	\$0.67	30.09.2003 to 29.09.2004
15.01.2002	175,000	-	-	-	175,000	1	\$1.08	\$0.65	16.01.2004 to 15.01.2009
24.04.2002	2,500,000	-	-	(2,500,000)	-	-	\$1.32	N.A.	25.04.2003 to 24.04.2012
01.10.2002	14,379,000	(645,000)	(1,175,000)	-	12,559,000	504	\$0.97	\$0.74	02.10.2004 to 01.10.2009
01.10.2002	715,000	(18,000)	-	(697,000)	-	-	\$0.97	N.A.	06.05.2003 to 29.06.2004
01.10.2002	1,075,000	-	-	(1,075,000)	-	-	\$0.97	N.A.	06.05.2003 to 29.06.2004
01.10.2002	96,000	-	-	(96,000)	-	-	\$0.97	N.A.	22.05.2003 to 29.06.2004
01.10.2002	8,000	-	-	(8,000)	-	-	\$0.97	N.A.	30.05.2003 to 29.06.2004
01.10.2002	74,000	-	-	(74,000)	-	-	\$0.97	N.A.	10.06.2003 to 29.06.2004
01.10.2002	131,000	-	-	-	131,000	2	\$0.97	\$0.70	02.10.2004 to 01.10.2005
01.10.2002	-	-	250,000	-	250,000	1	\$0.97	\$0.71	30.09.2003 to 29.09.2004
01.10.2002	-	-	350,000	(350,000)	-	-	\$0.97	N.A.	01.02.2004 to 31.01.2005
01.10.2002	-	-	400,000	(400,000)	-	-	\$0.97	N.A.	16.01.2004 to 15.01.2006
01.10.2002	-	-	175,000	(175,000)	-	-	\$0.97	N.A.	16.01.2004 to 15.01.2009
27.01.2004	18,997,500	(250,000)	(601,000)	-	18,146,500	539	\$1.83	\$0.38	28.01.2006 to 27.01.2011
27.01.2004	-	-	121,000	-	121,000	1	\$1.83	\$0.08	01.02.2004 to 31.01.2005
27.01.2004	-	-	305,000	-	305,000	1	\$1.83	\$0.16	28.01.2004 to 27.01.2006
27.01.2004	-	-	175,000	-	175,000	1	\$1.83	\$0.30	28.01.2004 to 27.01.2009
	<u>62,620,500</u>	<u>(1,223,000)</u>	<u>-</u>	<u>(26,408,000)</u>	<u>34,989,500</u>				

* The exercise period for these options were approved for amendments by the Compensation & Management Development Committee as provided for under the Scheme.

** The exercise price is stated after adjustment for a special dividend paid in 2003.

Share Options (cont'd)

(c) Unissued Shares Under Options (cont'd)

@@ 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 unissued shares 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>
20.11.2000	21.11.2002 to 20.11.2007	519,000	\$0.77	\$0.92	2.97	1.71	28.80	3.39
03.12.2001	04.12.2003 to 03.12.2008	2,553,000	\$0.70	\$1.01	2.97	2.14	28.80	4.43
03.12.2001	04.12.2003 to 03.12.2004	30,000	\$0.67	\$1.01	2.97	0.76	28.80	0.43
03.12.2001	30.09.2003 to 29.09.2004	25,000	\$0.67	\$1.01	2.97	0.75	28.80	0.25
15.01.2002	16.01.2004 to 15.01.2009	175,000	\$0.65	\$1.08	2.97	2.19	28.80	4.54
01.10.2002	02.10.2004 to 01.10.2009	12,559,000	\$0.74	\$0.97	2.97	2.46	28.80	5.25
01.10.2002	02.10.2004 to 01.10.2005	131,000	\$0.70	\$0.97	2.97	0.98	28.80	1.25
01.10.2002	30.09.2003 to 29.09.2004	250,000	\$0.71	\$0.97	2.97	0.75	28.80	0.25
27.01.2004	28.01.2006 to 27.01.2011	18,146,500	\$0.38	\$1.83	2.97	2.90	28.80	6.58
27.01.2004	01.02.2004 to 31.02.2005	121,000	\$0.08	\$1.83	2.97	0.77	28.80	0.59
27.01.2004	28.01.2004 to 27.01.2006	305,000	\$0.16	\$1.83	2.97	1.05	28.80	1.58
27.01.2004	28.01.2004 to 27.01.2009	175,000	\$0.30	\$1.83	2.97	2.20	28.80	4.58

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

As at 30 June 2004, executives and employees, including executive directors, who have been granted 5% or more of the total options available under the Scheme are as follows:

	<u>Options granted for financial year ended 30.06.2004</u>	<u>Aggregate options granted since commencement of the Scheme to 30.06.2004</u>	<u>Aggregate options exercised since commencement of the Scheme to 30.06.2004</u>	<u>Aggregate options outstanding as at 30.06.2004</u>
Options granted on 27.01.2004 (exercisable from 28.01.2006 to 27.01.2011)				
Hsieh Fu Hua	4,000,000	4,000,000	—	4,000,000

Audit Committee

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

Ho Tian Yee (Chairman)
Goh Yew Lin
Victor Liew Cheng San
Loh Boon Chye
Ng Kee Choe
Tang Wee Loke
Geoffrey Wong Ee Kay


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

The Audit Committee has nominated PricewaterhouseCoopers for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

Auditors

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

On behalf of the directors



J Y Pillay
Director



Hsieh Fu Hua
Director

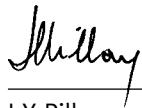
29 July 2004

STATEMENT BY DIRECTORS

In the opinion of the directors,

- (a) the financial statements set out on pages 77 to 118 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 2004, the results of the business and changes in equity of the Company and of the Group, and the cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors



J Y Pillay
Director



Hsieh Fu Hua
Director

29 July 2004

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 2004 set out on pages 77 to 118. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion,

- (a) the accompanying financial statements of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap 50 ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2004, the results and changes in equity of the Company and of the Group, and the cash flows of the Group for the financial year ended on that date, and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The logo for PricewaterhouseCoopers, featuring the company name in a stylized, cursive script.

PricewaterhouseCoopers
Certified Public Accountants

Singapore, 29 July 2004

BALANCE SHEETS

As at 30 June 2004

	Notes	The Group		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current assets					
Cash and cash equivalents	3	452,251	221,478	171,767	16,838
Trade and other debtors	4	281,356	338,332	4,504	5,624
Securities clearing funds	5	35,734	34,602	–	–
Available-for-sale investments	6	7,498	356,524	–	340,463
Tax recoverable	16	–	694	–	476
		776,839	951,630	176,271	363,401
Non-current assets					
Property, plant and equipment	7	222,917	225,513	38,318	45,923
Club memberships		582	720	582	720
Investments in subsidiaries	8	–	–	392,340	392,340
Investment in joint venture	9	204	278	–	–
Deferred tax assets	16	3,536	4,800	–	–
		227,239	231,311	431,240	438,983
Total assets		1,004,078	1,182,941	607,511	802,384
Current liabilities					
Trade and other creditors	10	299,649	334,834	148,821	52,017
Securities clearing members' contributions to clearing funds	5	10,734	9,602	–	–
Provision for surplus leased premises and unutilised leave	11	5,119	6,220	3,655	4,605
Taxation	16	43,747	16,375	10,923	–
		359,249	367,031	163,399	56,622
Non-current liabilities					
Provision for surplus leased premises	11	2,581	5,675	2,033	4,434
Deferred tax liabilities	16	1,230	10,153	507	9,129
		3,811	15,828	2,540	13,563
Total liabilities		363,060	382,859	165,939	70,185
Net assets		641,018	800,082	441,572	732,199
Equity					
Share capital	12	10,294	10,030	10,294	10,030
Share premium		340,844	308,858	340,844	308,858
Clearing fund reserve	5	25,000	25,000	–	–
Translation reserve		–	8	–	–
Hedging reserve		612	965	–	–
Retained profits		176,609	161,082	3,345	119,930
Proposed dividends		87,089	293,381	87,089	293,381
Shareholders' equity		640,448	799,324	441,572	732,199
Minority interests		570	758	–	–
		641,018	800,082	441,572	732,199

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 76.

INCOME STATEMENTS

For the financial year ended 30 June 2004

	Notes	The Group		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Operating revenue					
Securities clearing fees		141,423	66,925	–	–
Net derivatives clearing revenue		49,863	43,034	–	–
Access and terminal fees		32,899	31,054	–	–
Account maintenance and processing fees		42,102	33,326	9,391	4,952
Listing and membership fees		21,184	17,071	–	–
Price information fees		13,642	12,767	–	–
Sale of software and other computer services		7,037	7,224	2,215	1,936
Management fees from subsidiaries		–	–	70,202	76,275
Other operating revenue		8,158	7,103	1,932	1,650
Total operating revenue		316,308	218,504	83,740	84,813
Operating expenses					
Staff costs	18	68,884	70,075	43,734	42,331
Occupancy costs		14,995	17,390	10,847	10,144
Depreciation	7	18,438	22,192	10,445	10,320
System maintenance and rental		18,337	20,995	5,478	8,761
Provision for surplus leased premises	11(c)	(4,400)	3,000	(3,476)	2,976
Other operating expenses	13	33,634	32,756	14,121	13,155
Total operating expenses		149,888	166,408	81,149	87,687
Profit/(Loss) from operating activities	14	166,420	52,096	2,591	(2,874)
Net non-operating (loss)/revenue	15	(334)	25,406	(1,509)	22,364
Exceptional item – impairment loss on properties		–	(50,000)	–	(5,000)
Profit before tax and minority interests		166,086	27,502	1,082	14,490
Share of results of joint venture	9	(74)	(90)	–	–
Tax	16	(33,236)	(14,606)	(230)	(4,725)
Profit after tax and before minority interests		132,776	12,806	852	9,765
Minority interests		188	3,195	–	–
Profit after tax and minority interests		132,964	16,001	852	9,765
Earnings per share (cents)	17				
Before exceptional item					
- Basic		13.02	6.60		
- Diluted		12.94	6.59		
After exceptional item					
- Basic		13.02	1.60		
- Diluted		12.94	1.60		

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 76.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2004

The Group

Notes	Share capital \$'000	Share premium* \$'000	Clearing fund reserve* \$'000	Translation reserve* \$'000	Hedging reserve* \$'000	Retained profits \$'000	Proposed dividends \$'000	Total \$'000
Balance at 1 July 2003	10,030	308,858	25,000	8	965	161,082	293,381	799,324
Gain on hedging								
- unrealised	-	-	-	-	138	-	-	138
- transfer to income statement	-	-	-	-	(491)	491	-	-
Currency translation differences transferred to income statement	-	-	-	(8)	-	8	-	-
Net profit before realisation of hedging and currency translation reserve	-	-	-	-	-	132,465	-	132,465
Total recognised gains for the financial year	-	-	-	(8)	(353)	132,964	-	132,603
Dividends paid								
- Final and special dividends - Financial year 2003	-	-	-	-	-	-	(299,689)	(299,689)
- Interim dividends - Financial year 2004	19	-	-	-	-	(24,040)	-	(24,040)
- Underprovision of final and special dividends - Financial year 2003		-	-	-	-	(6,308)	6,308	-
Proposed dividends								
- Final dividends - Financial year 2004	19	-	-	-	-	(33,559)	33,559	-
- Special dividends - Financial year 2004	19	-	-	-	-	(53,530)	53,530	-
Issue of ordinary shares	12	264	31,986	-	-	-	-	32,250
Balance at 30 June 2004	10,294	340,844	25,000	-	612	176,609	87,089	640,448
Balance at 1 July 2002	10,000	305,537	25,000	16	(147)	461,878	34,289	836,573
Gain 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	-	-	-	-	-	-	(34,289)	(34,289)
- Interim dividends - Financial year 2003	19	-	-	-	-	(23,416)	-	(23,416)
Proposed dividends								
- Final dividends - Financial year 2003	19	-	-	-	-	(27,382)	27,382	-
- Special dividends - Financial year 2003	19	-	-	-	-	(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

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2004

The Company

	Notes	Share capital \$'000	Share premium* \$'000	Retained profits \$'000	Proposed dividends \$'000	Total \$'000
Balance at 1 July 2003		10,030	308,858	119,930	293,381	732,199
Net profit - total recognised gains for the financial year		–	–	852	–	852
		10,030	308,858	120,782	293,381	733,051
Dividends paid						
- Final and special dividends						
- Financial year 2003		–	–	–	(299,689)	(299,689)
- Interim dividends - Financial year 2004	19	–	–	(24,040)	–	(24,040)
- Underprovision of final and special dividends - Financial year 2003		–	–	(6,308)	6,308	–
Proposed dividends						
- Final dividends - Financial year 2004	19	–	–	(33,559)	33,559	–
- Special dividends - Financial year 2004	19	–	–	(53,530)	53,530	–
Issue of ordinary shares	12	264	31,986	–	–	32,250
Balance at 30 June 2004		10,294	340,844	3,345	87,089	441,572
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		–	–	–	(34,289)	(34,289)
- Interim dividends - Financial year 2003	19	–	–	(23,416)	–	(23,416)
Proposed dividends						
- Final dividends - Financial year 2003	19	–	–	(27,382)	27,382	–
- Special dividends - Financial year 2003	19	–	–	(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

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 30 June 2004

	Note	2004 \$'000	2003 \$'000
Cash flows from operating activities			
Profit before tax and share of results of joint venture		166,086	27,502
Adjustments for:			
- Depreciation		18,438	22,192
- Provision for surplus leased premises		(4,400)	3,000
- Impairment of club memberships		138	-
- Impairment (reversal)/charge on plant and equipment		(55)	410
- Exceptional item – impairment loss on properties		-	50,000
- Net loss/(gain) on investments		3,643	(22,336)
- Write-off of property, plant and equipment		321	2,405
- Gain on disposal of property, plant and equipment		(179)	(234)
- Interest income		(3,421)	(3,067)
Operating cash flow before working capital change		180,571	79,872
Change in operating assets and liabilities			
- Trade and other receivables		56,611	(22,505)
- Trade and other payables		(34,931)	18,610
Cash generated from operations		202,251	75,977
Income tax paid		(12,878)	(19,772)
Dividends paid		(323,729)	(57,705)
Net cash used in operating activities		(134,356)	(1,500)
Cash flows from investing activities			
Payments for retention sum of properties		-	(21,175)
Payments for property, plant and equipment		(16,214)	(18,464)
Proceeds from disposal of property, plant and equipment		285	237
Payment for club memberships		-	(20)
Interest received		3,433	3,049
Proceeds from sale/redemption of investments		345,383	-
Receipt from Financial Sector Development Fund (“FSDF”) for property, plant and equipment purchased		-	285
Net cash from/(used in) investing activities		332,887	(36,088)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		32,250	3,351
Contributions from minority interests		-	2,675
Net cash from financing activities		32,250	6,026
Net increase/(decrease) in cash and cash equivalents held		230,781	(31,562)
Cash and cash equivalents at the beginning of the financial year		221,478	253,048
Effects of exchange rate changes on cash and cash equivalents		(8)	(8)
Cash and cash equivalents at the end of the financial year	3	452,251	221,478

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2004

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) Effect of changes in Singapore Companies Legislation

Pursuant to the Singapore Companies (Amendment) Act 2002, with effect from financial year commencing on or after 1 January 2003, Singapore-incorporated companies are required to prepare and present their statutory accounts in accordance with Singapore Financial Reporting Standards ("FRS"). Hence, these financial statements, including the comparative figures, have been prepared in accordance with FRS.

Previously, the Company and the Group prepared its statutory accounts in accordance with Singapore Statements of Accounting Standard. The adoption of FRS does not have material impact on the accounting policies and figures presented in the statutory accounts for financial year ended 30 June 2003.

(b) Basis of preparation

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

(c) 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.

2. Significant Accounting Policies (cont'd)

(d) Foreign currency translation

(1) *Measurement currency*

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

(2) *Transactions and balances*

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date or at contracted rates where they are covered by forward exchange contracts. 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.

(3) *Group companies*

(i) In respect of foreign subsidiaries whose operations are not an integral part of the Company's operations, the balance sheets are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date, and the results are translated using the average monthly exchange rates for the financial year. The exchange differences arising on translation of foreign subsidiaries and borrowings and other currency instruments designated as hedges of investments in such foreign entities, are taken directly to the foreign currency translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

(ii) 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 the income statement.

(e) Trade receivables

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

2. Significant Accounting Policies (cont'd)

(f) Investments

The Group has adopted FRS 39 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 and club memberships 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.

(g) 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 (cont'd)

(h) Property, plant and equipment

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

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

(i) 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 7 years
Motor vehicles	4 years

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

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

(j) 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.

(k) 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.

(l) Provisions

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

Surplus leased premises

Provision is made for surplus leased premises which are currently leased under non-cancellable operating leases and are expected to be 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 (cont'd)

(m) Share capital

Ordinary shares are classified as equity.

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

(n) Revenue recognition

Revenue is recognised on the following basis:

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

(o) Taxation

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

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

(p) Accounting for leases

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

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

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

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

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

2. Significant Accounting Policies (cont'd)

(p) Accounting for leases (cont'd)

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

Operating sub-lease

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

(q) Government grants

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

(r) 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 18).

Share options

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

(s) Intangible assets

Computer software

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

2. Significant Accounting Policies (cont'd)

(s) Intangible assets (cont'd)

Computer software (cont'd)

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, but not exceeding a period of 7 years. Where an indication of impairment exists, the carrying amount of computer software development costs is assessed and written down immediately to its recoverable amount.

3. Cash and Cash Equivalents

	<u>The Group</u>		<u>The Company</u>	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash at bank and on hand	43,188	40,678	9,767	6,838
Fixed deposits with banks	409,063	180,800	162,000	10,000
	452,251	221,478	171,767	16,838

Cash at bank of the Group and the Company of \$42,364,000 (2003: \$38,094,000) and \$9,755,000 (2003: \$6,833,000) bear interest at an average rate of 0.60% (2003: 0.78%) and 0.38% (2003: 0.38%) 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>	
	2004	2003	2004	2003
Average maturity (days)	67	54	7	16
Effective weighted average interest rate (% per annum)	0.57	0.48	0.24	0.45

4. Trade and Other Debtors

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Trade receivables (net) (Note (a))	274,620	331,140	1,948	2,557
Other debtors (Note (b))	6,476	6,981	2,556	3,067
Due from fidelity funds	260	211	–	–
	281,356	338,332	4,504	5,624

- (a) Trade receivables comprise:
Receivables from clearing members:
- Daily settlements of accounts for due

contracts and rights	245,765	297,564	–	–
- Clearing and other fees	13,488	27,614	–	–
Other trade receivables	16,324	6,551	1,948	2,557
	275,577	331,729	1,948	2,557
Less: Allowance for doubtful debts	(957)	(589)	–	–
	274,620	331,140	1,948	2,557

Movements in allowance for doubtful debts are as follows:

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Balance at the beginning of the financial year	589	845	–	–
Bad debts written off against allowance	(77)	(354)	–	–
Specific allowance for doubtful debts (Note 13)	445	98	–	–
Balance at the end of the financial year	957	589	–	–

- (b) Other debtors comprise:

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Interest receivable	1,156	1,168	58	2
Prepayments	1,963	2,031	228	593
Deposits	2,747	2,850	2,030	2,162
Staff advances	438	519	174	237
Others (non-trade)	172	413	66	73
	6,476	6,981	2,556	3,067

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 of \$45,000

5. Securities Clearing Funds (cont'd)

(c) As at 30 June 2004, securities clearing fund contributions comprise:

	<u>The Group</u>	
	2004	2003
	\$'000	\$'000
Cash contributions by CDP clearing members	10,284	9,062
Cash contributions by OCC clearing members	450	540
Total cash contributions by securities clearing members	10,734	9,602
Cash contributions by CDP	25,000	25,000
	35,734	34,602
Contributions by CDP clearing members in the form of bank guarantees	7,350	8,323
	43,084	42,925

As at 30 June 2004, 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

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Amounts under fund management	-	340,463	-	340,463
Other investments (Note (a))	7,498	16,061	-	-
	7,498	356,524	-	340,463
(a) Other investments comprise:				
Quoted bonds and debentures, at fair value				
- government and public	7,498	11,957	-	-
- corporate	-	4,104	-	-
	7,498	16,061	-	-

(b) The interest bearing investments as at 30 June 2004 have the following average maturity terms and weighted yield to maturity:

	<u>The Group</u>	<u>The Company</u>
Average maturity (years)	3.11	-
Weighted yield to maturity (% per annum)	4.59	-

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 2003	17,478	8,261	214,784	38,095	8,606	117,184	771	7,849	413,028
Reclassification	–	–	–	61	6	2,863	10	(2,940)	–
Additions	–	–	–	3	151	1,688	–	14,372	16,214
Disposals	–	–	–	(1,409)	(3,224)	(20,212)	(47)	(55)	(24,947)
At 30 June 2004	17,478	8,261	214,784	36,750	5,539	101,523	734	19,226	404,295
<i>Accumulated depreciation</i>									
At 1 July 2003	–	2,183	4,737	18,188	7,076	104,300	621	–	137,105
Depreciation charge	–	265	2,217	5,289	576	9,938	153	–	18,438
Disposals	–	–	–	(1,399)	(3,073)	(20,001)	(47)	–	(24,520)
At 30 June 2004	–	2,448	6,954	22,078	4,579	94,237	727	–	131,023
<i>Accumulated impairment charge</i>									
At 1 July 2003	5,000	–	45,000	73	148	189	–	–	50,410
Charge/(reversal) during the year	–	–	–	17	(33)	(39)	–	–	(55)
At 30 June 2004	5,000	–	45,000	90	115	150	–	–	50,355
Net book value									
At 30 June 2004	12,478	5,813	162,830	14,582	845	7,136	7	19,226	222,917
Net book value At 30 June 2003	12,478	6,078	165,047	19,834	1,382	12,695	150	7,849	225,513

7. Property, Plant and Equipment (cont'd)

	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
The Company								
<i>Cost</i>								
At 1 July 2003	17,478	8,261	30,999	1,576	34,880	724	1,710	95,628
Reclassification	-	-	61	6	457	10	(534)	-
Additions	-	-	-	30	462	-	5,877	6,369
Intercompany transfer	-	-	-	-	29	-	(3,471)	(3,442)
Disposals	-	-	-	(714)	(10,266)	-	-	(10,980)
At 30 June 2004	17,478	8,261	31,060	898	25,562	734	3,582	87,575
<i>Accumulated depreciation</i>								
At 1 July 2003	-	2,183	12,096	1,243	28,609	574	-	44,705
Depreciation charge	-	265	5,079	132	4,816	153	-	10,445
Intercompany transfer	-	-	-	-	26	-	-	26
Disposals	-	-	-	(694)	(10,225)	-	-	(10,919)
At 30 June 2004	-	2,448	17,175	681	23,226	727	-	44,257
<i>Accumulated impairment charge</i>								
At 1 July 2003 and 30 June 2004	5,000	-	-	-	-	-	-	5,000
Net book value								
At 30 June 2004	12,478	5,813	13,885	217	2,336	7	3,582	38,318
<i>Net book value</i>								
At 30 June 2003	12,478	6,078	18,903	333	6,271	150	1,710	45,923

** 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:

<u>Brief description</u>	<u>Tenure</u>	Net book value as at <u>30 June 2004</u> \$'000
Office building complex, SGX Centre, Singapore	99 years lease commencing from 13.11.1995	162,480
Industrial building, located at 18 New Industrial Road, Singapore	Freehold	18,291
Villa at Bintan Lagoon Golf and Beach Resort, Indonesia	26 years lease commencing from 14.06.1996	350

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	
			2004 %	2003 %	2004 %	2003 %	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'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 *	Inactive	United States of America	-	-	100	100	-	-	71	71
Asia Converge Pte Ltd **	Inactive	Singapore	-	-	51	51	-	-	6,367	6,367
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	-	-	#	#

8. Investments in Subsidiaries (cont'd)

Name of subsidiaries	Principal activities	Country of business and incorporation	Equity holding held by				Cost of investment			
			The Company		Subsidiaries		The Company		Subsidiaries	
			2004 %	2003 %	2004 %	2003 %	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
SGX Investment (Mauritius) Limited @	Investment holding	Mauritius	100	-	-	-	#	-	-	-
							392,340	392,340	6,838	6,838

Less than \$1,000.

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

** Company ceased operations on 30 September 2003.

@ Company required to be audited in the next financial year when it commences operations.

Incorporation of subsidiary

On 25 June 2004, the Group incorporated a wholly-owned subsidiary, SGX Investment (Mauritius) Limited in Mauritius with a paid-up capital of US\$1.

The principal activity of SGX Investment (Mauritius) Limited is to carry on the business of investment holding.

On 27 July 2004, SGX Investment (Mauritius) Limited increased its issued share capital by way of a further allotment of 109,999,999 ordinary shares of US\$1 each at par for cash to the company for working capital purposes.

9. Investment in Joint Venture

	The Group	
	2004 \$'000	2003 \$'000
Cost of investment	940	940
Share of results	(736)	(662)
	204	278

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

9. Investment in Joint Venture (cont'd)

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:

	<u>The Group</u>	
	2004 \$'000	2003 \$'000
Total assets	234	288
Total liabilities	(30)	(10)
Net assets	204	278
Income	-	-
Loss after tax for the financial year	(74)	(90)

10. Trade and Other Creditors

	<u>The Group</u>		<u>The Company</u>	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Trade creditors (Note (a))	258,674	303,950	-	-
Other creditors (Note (b))	40,975	30,884	20,761	11,937
Amount due to subsidiaries (non-trade) (Note (c))	-	-	128,060	40,080
	299,649	334,834	148,821	52,017

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

245,765	297,564	-	-
12,909	6,386	-	-
258,674	303,950	-	-

- (b) Other creditors comprise:
Accrued operating expenses
Provision for SGX-MAS Market Development Scheme
Provision for bonus
Central Provident Fund Board payable
Interest payable to members
Advance receipts
Others (non-trade)

6,442	11,548	3,776	5,142
3,750	3,750	-	-
22,539	7,650	15,417	4,838
1,376	1,954	816	1,172
804	850	-	-
4,789	3,005	12	12
1,275	2,127	740	773
40,975	30,884	20,761	11,937

- (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

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Provision for surplus leased premises	3,019	4,325	2,360	3,435
Provision for unutilised leave	2,100	1,895	1,295	1,170
	5,119	6,220	3,655	4,605

(b) Non-current

Provision for surplus leased premises	2,581	5,675	2,033	4,434
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(c) Movements in provision for surplus leased premises are as follows:

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the financial year	10,000	7,000	7,869	4,893
Provision made during the financial year	–	3,000	–	2,976
Utilisation of provision	(4,400)	–	(3,476)	–
Balance at the end of the financial year	5,600	10,000	4,393	7,869

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

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the financial year	1,895	1,865	1,170	1,257
Write-back during the financial year	(95)	(87)	–	(87)
Provision made during the financial year	300	117	125	–
Balance at the end of the financial year	2,100	1,895	1,295	1,170

12. Share Capital of Singapore Exchange Limited

(a) Authorised ordinary share capital

	<u>The Group and The Company</u>	
	2004	2003
	\$'000	\$'000
100 billion (2003: 100 billion) ordinary shares of \$0.01 (2003: \$0.01) each	1,000,000	1,000,000

(b) Issued and fully paid ordinary share capital

	<u>The Group and The Company</u>			
	2004	2003	2004	2003
	Number of shares '000	Number of shares '000	Paid-up share capital \$'000	Paid-up share capital \$'000
Balance at the beginning of the financial year	1,003,014	1,000,000	10,030	10,000
Issue shares of \$0.01 each	26,408	3,014	264	30
Balance at the end of the financial year	1,029,422	1,003,014	10,294	10,030

(c) Outstanding options

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

	<u>The Group and The Company</u>	
	2004	2003
At the beginning of the financial year	43,623,000	30,296,000
Granted	18,997,500	17,091,000
Exercised	(26,408,000)	(3,014,000)
Lapsed	(1,223,000)	(750,000)
At the end of the financial year	34,989,500	43,623,000

12. Share Capital of Singapore Exchange Limited (cont'd)

(c) Outstanding options (cont'd)

As at 30 June 2004, the outstanding options granted to executive directors and employees to subscribe for ordinary shares of \$0.01 each were as follows:

<u>Number of options for ordinary shares of \$0.01 each</u>	<u>Exercise price</u>	<u>Exercise period</u>
519,000	\$0.92	21.11.2002 to 20.11.2007
2,553,000	\$1.01	04.12.2003 to 03.12.2008
30,000	\$1.01	04.12.2003 to 03.12.2004
25,000	\$1.01	30.09.2003 to 29.09.2004
175,000	\$1.08	16.01.2004 to 15.01.2009
12,559,000	\$0.97	02.10.2004 to 01.10.2009
131,000	\$0.97	02.10.2004 to 01.10.2005
250,000	\$0.97	30.09.2003 to 29.09.2004
18,146,500	\$1.83	28.01.2006 to 27.01.2011
121,000	\$1.83	01.02.2004 to 31.01.2005
305,000	\$1.83	28.01.2004 to 27.01.2006
175,000	\$1.83	28.01.2004 to 27.01.2009
<u>34,989,500</u>		

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

(d) Options exercised during the year

During the financial year ended 30 June 2004, 26,408,000 (2003: 3,014,000) options were exercised as follows:

<u>Number of options for ordinary shares of \$0.01 each</u>	<u>Exercise price</u>	<u>Proceeds</u> \$	<u>Exercise month</u>
5,131,000	1.10	5,644,100	July 2003
297,000	1.21	359,370	July 2003
362,000	1.16	419,920	July 2003
929,000	1.10	1,021,900	August 2003
211,000	1.21	255,310	August 2003
183,000	1.16	212,280	August 2003
1,650,000	1.17	1,930,500	August 2003
388,000	1.10	426,800	September 2003
141,000	1.21	170,610	September 2003
153,000	1.16	177,480	September 2003
850,000	1.17	994,500	September 2003
500,000	1.32	660,000	September 2003
2,084,000	1.10	2,292,400	October 2003

12. Share Capital of Singapore Exchange Limited (cont'd)**(d) Options exercised during the year (cont'd)**

<u>Number of options for ordinary shares of \$0.01 each</u>	<u>Exercise price</u>	<u>Proceeds</u> \$	<u>Exercise month</u>
524,000	1.21	634,040	October 2003
1,160,000	1.16	1,345,600	October 2003
2,000,000	1.32	2,640,000	October 2003
5,000,000	1.65	8,250,000	October 2003
4,000	0.92	3,680	November 2003
4,000	0.92	3,680	December 2003
493,000	1.01	497,930	December 2003
4,000	0.97	3,880	December 2003
149,000	0.92	137,080	January 2004
2,080,000	1.01	2,100,800	January 2004
32,000	0.97	31,040	January 2004
4,000	0.92	3,680	February 2004
146,000	1.01	147,460	February 2004
32,000	0.97	31,040	February 2004
77,000	0.92	70,840	March 2004
247,000	1.01	249,470	March 2004
680,000	0.97	659,600	March 2004
179,000	0.92	164,680	April 2004
157,000	1.01	158,570	April 2004
257,000	0.97	249,290	April 2004
183,000	1.01	184,830	May 2004
8,000	0.97	7,760	May 2004
105,000	1.01	106,050	June 2004
4,000	0.97	3,880	June 2004
<u>26,408,000</u>		<u>32,250,050</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 are subject 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.

13. Other Operating Expenses

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Professional charges	7,048	5,320	4,070	2,964
Marketing and travelling	3,588	3,155	1,342	821
Communication charges	2,830	3,412	1,685	2,078
Fees to MAS for transfer of participant supervision function	2,300	–	2,300	–
Specific allowance for doubtful debts	445	98	–	–
Bad debts written off	24	43	–	–
Net foreign exchange loss/(gain)	324	100	6	(1)
Write-off of property, plant and equipment	321	2,405	29	28
Gain on disposal of property, plant and equipment	(179)	(234)	(5)	(117)
Cost of sales	12,966	9,582	1,575	1,365
Provision for SGX-MAS Market Development Scheme	–	3,750	–	–
Impairment (reversal)/charge on plant and equipment	(55)	410	–	–
Others	4,022	4,715	3,119	6,017
	33,634	32,756	14,121	13,155

14. Profit/(Loss) from Operating Activities

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<u>Profit/(Loss) from operating activities is arrived at after:</u>				
<i>Charging:</i>				
Audit services by auditors of the Company				
- current year	396	487	120	150
- (over)/underprovision in prior year	(86)	(49)	(10)	17
Other services by auditors of the Company	294	209	187	89
Depreciation of property, plant and equipment				
- Freehold building	265	265	265	265
- Leasehold land and buildings	2,217	2,823	–	–
- Leasehold improvements	5,289	4,665	5,079	4,508
- Furniture, fittings and office equipment	576	623	132	141
- Computers	9,938	13,624	4,816	5,221
- Motor vehicles	153	192	153	185
Rental expenses - operating leases	8,577	10,712	6,490	8,003
Provision for unutilised leave	300	117	125	–
Impairment of club memberships	138	–	138	–
<i>And crediting:</i>				
Write-back of provision for unutilised leave	95	87	–	87

15. Net Non-Operating (Loss)/Revenue

	<u>The Group</u>		<u>The Company</u>	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Investment (losses)/gains (Note (a))	(3,053)	23,088	(3,055)	22,258
Interest income, other income and expenses (Note (b))	2,719	2,318	1,546	106
	(334)	25,406	(1,509)	22,364
(a) <u>Investment (losses)/gains</u>				
Net gains from fund management				
- interest income	511	8,268	511	8,268
- (loss)/gain on disposals	(4,191)	3,208	(4,191)	3,208
- unrealised gain on revaluation	-	32,733	-	32,733
- net gain/(loss) on currency hedging	670	(21,151)	670	(21,151)
- others	(45)	(800)	(45)	(800)
	(3,055)	22,258	(3,055)	22,258
Interest income from bonds and debentures	564	749	-	-
Loss on redemption of investments	(15)	(109)	-	-
Unrealised (loss)/gain on revaluation of investments	(547)	190	-	-
	(3,053)	23,088	(3,055)	22,258
(b) <u>Interest income, other income and expenses</u>				
Fixed deposits with banks	2,263	872	1,367	18
Bank interest income	326	1,399	61	78
Other interest income	268	47	256	10
Impairment of club memberships	(138)	-	(138)	-
	2,719	2,318	1,546	106

16. Taxation

(a) Tax expense

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Tax expense attributable to profit is made up of:				
- current tax	40,895	15,535	8,852	-
- deferred tax	(7,659)	3,572	(8,622)	4,606
	33,236	19,107	230	4,606
(Over)/underprovision in preceding financial years:				
- current tax	-	245	-	-
- deferred tax	-	(4,746)	-	119
	33,236	14,606	230	4,725

(b) Tax reconciliation

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

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Profit before tax and share of results of joint venture	166,086	27,502	1,082	14,490
Tax calculated at a tax rate of 20% (2003: 22%)	33,217	6,050	216	3,188
Effect of change in tax rate	(483)	-	(830)	-
Singapore statutory income exemption	(66)	(78)	(11)	(12)
Income not subject to tax	(1,449)	(1,881)	-	-
Expenses not deductible for tax purposes	2,017	13,408	855	1,430
Deferred tax asset not recognised	-	1,608	-	-
	33,236	19,107	230	4,606

16. Taxation (cont'd)(c) Movements in provision for taxation

	<u>The Group</u>		<u>The Company</u>	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Balance at the beginning of the financial year	16,375	19,817	–	2,119
Income tax (paid)/recovered	(12,878)	(19,772)	2,547	(2,595)
Current financial year's tax expense on profit	40,895	15,535	8,852	–
Transfer (from)/to tax recoverable (Over)/underprovision in preceding financial years	(694)	472	(476)	476
Tax on income from fidelity fund	–	245	–	–
	49	78	–	–
Balance at the end of the financial year	43,747	16,375	10,923	–

(d) Tax recoverable

	<u>The Group</u>		<u>The Company</u>	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Balance at the beginning of the financial year	694	222	476	–
Transfer (to)/from tax provision account	(694)	472	(476)	476
Balance at the end of the financial year	–	694	–	476

(e) Deferred income tax

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

The Group - deferred tax liabilities

	<u>Accelerated tax depreciation</u> \$'000	<u>Unrealised revaluation gains on investments</u> \$'000	<u>Tax losses</u> \$'000	<u>Total</u> \$'000
At 30 June 2003	2,059	8,684	(590)	10,153
Charged/(credited) to income statement	(829)	(8,684)	590	(8,923)
At 30 June 2004	1,230	–	–	1,230

16. Taxation (cont'd)(e) Deferred income tax (cont'd)The Group - deferred tax assets

	<u>Capital allowances</u> \$'000
At 30 June 2003	(4,800)
Charged/(credited) to income statement	1,264
At 30 June 2004	<u>(3,536)</u>

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 2003	1,066	8,653	9,719
Charged/(credited) to income statement	(559)	(8,653)	(9,212)
At 30 June 2004	<u>507</u>	<u>-</u>	<u>507</u>

The Company - deferred tax assets

	<u>Tax losses</u> \$'000
At 30 June 2003	(590)
Charged/(credited) to income statement	590
At 30 June 2004	<u>-</u>
Net deferred tax liabilities	<u>507</u>

16. Taxation (cont'd)(e) Deferred income tax (cont'd)

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

	<u>The Group</u>		<u>The Company</u>	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Deferred tax assets	(3,536)	(4,800)	–	–
Deferred tax liabilities	1,230	10,153	507	9,129
	(2,306)	5,353	507	9,129

The amounts shown in the balance sheet included the following :

Deferred tax assets to be recovered after more than 12 months	1,628	3,924	–	–
Deferred tax liabilities to be settled after more than 12 months	214	432	14	287

(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 2003, the income of the derivatives subsidiaries as set out in the First and Second Schedules of the said rules is exempt from tax up to 31 December 2003.

17. Earnings Per Share

	<u>The Group</u>	
	2004 \$'000	2003 \$'000
Profit after tax and minority interests, before exceptional item	132,964	66,001
Profit after tax and minority interests, after exceptional item	132,964	16,001

17. Earnings Per Share (cont'd)

	<u>The Group</u>	
	2004 \$'000	2003 \$'000
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	1,020,916	1,000,335
Adjustment for assumed conversion of share options ('000)	6,750	1,708
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,027,666	1,002,043

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.

18. Directors and Employees Information

(a) Employees remuneration

	<u>The Group</u>		<u>The Company</u>	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Salary and wages	61,835	58,693	39,359	35,801
Employer's contribution to Central Provident Fund	6,963	7,057	4,291	4,237
Retrenchment benefits	86	4,325	84	2,293
	68,884	70,075	43,734	42,331

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

(b) The number of employees of the Group as at 30 June 2004 was 650 (2003: 809), including nil (2003: 68) employees of Asia Converge Pte Ltd.

18. Directors and Employees Information (cont'd)

(c) Remuneration of directors

Directors' remuneration included fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and the Company, and where the Group or Company did not incur any costs, the value of the benefit is included. The directors' remuneration is as follows:

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Directors' fees				
- of the Company	490	370	490	370
Directors' remuneration				
- of the Company	4,247	2,896	4,247	2,896
- of the subsidiaries	2,275	3,735	-	-
	7,012	7,001	4,737	3,266

19. Dividends

	The Group and The Company	
	2004 \$'000	2003 \$'000
Interim gross dividends of 2.925 cents per share net of tax at 20% paid (2003: 3.000 cents net of tax at 22%)	24,040	23,416
Proposed final gross dividends of 4.075 cents per share net of tax at 20% (2003: 3.500 cents net of tax at 22%)	33,559	27,382
Proposed special gross dividends of 6.500 cents per share net of tax at 20% (2003: 34.000 cents net of tax at 22%)	53,530	265,999
	111,129	316,797

The directors have proposed a gross final and special dividend for 2004 of 4.075 cents per share and 6.500 cents per share respectively amounting to a total of \$87,089,101 net of tax at 20%. 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 2004.

The interim gross dividend for the current financial year has been regressed to reflect the revised corporate tax rate of 20% in respect of income earned in financial year 2004 (year of assessment 2005).

20. Segment Information

<u>2004</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	240,394	70,604	5,310	316,308
Inter-segment revenue	227	704	70,298	71,229
	<u>240,621</u>	<u>71,308</u>	<u>75,608</u>	<u>387,537</u>
Less: Consolidation elimination	(227)	(704)	(70,298)	(71,229)
	<u>240,394</u>	<u>70,604</u>	<u>5,310</u>	<u>316,308</u>
RESULTS				
Segment results	169,150	20,384	195	189,729
Unallocated costs				(23,309)
Operating profit before tax				<u>166,420</u>
Interest income and other non-operating loss				(334)
Share of results of joint venture				(74)
Income taxes				(33,236)
Net profit after tax				<u>132,776</u>
Minority interests				188
Profit attributable to shareholders				<u>132,964</u>
OTHER INFORMATION				
Segment assets	673,796	150,065	4,731	828,592
Unallocated assets				175,486
Consolidated total assets				<u>1,004,078</u>
Segment liabilities	293,548	17,822	1,025	312,395
Unallocated liabilities				50,665
Consolidated total liabilities				<u>363,060</u>
Capital expenditure	12,842	3,300	72	<u>16,214</u>
Depreciation	10,536	7,633	269	<u>18,438</u>
Impairment reversal on plant and equipment	–	–	(55)	<u>(55)</u>

The Group operates only in Singapore.

20. Segment Information (cont'd)

<u>2003</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	147,204	63,273	8,027	218,504
Inter-segment revenue	3,132	2,349	75,603	81,084
	<u>150,336</u>	<u>65,622</u>	<u>83,630</u>	<u>299,588</u>
Less: Consolidation elimination	(3,132)	(2,349)	(75,603)	(81,084)
	<u>147,204</u>	<u>63,273</u>	<u>8,027</u>	<u>218,504</u>
RESULTS				
Segment results	72,004	6,952	(6,968)	71,988
Unallocated costs				(19,892)
Operating profit before tax				52,096
Interest income and other non-operating revenue				25,406
Share of results of joint venture				(90)
Exceptional item – impairment loss on properties				(50,000)
Income taxes				(14,606)
Net profit after tax				12,806
Minority interests				3,195
Profit attributable to shareholders				<u>16,001</u>
OTHER INFORMATION				
Segment assets	672,273	146,673	1,277	820,223
Unallocated assets				362,718
Consolidated total assets				<u>1,182,941</u>
Segment liabilities	329,974	15,881	1,438	347,293
Unallocated liabilities				35,566
Consolidated total liabilities				<u>382,859</u>
Capital expenditure	8,952	8,975	252	18,179
Depreciation	12,886	8,626	680	22,192
Exceptional item – impairment loss on properties	23,069	21,931	5,000	50,000
Impairment charge on plant and equipment	–	–	410	410

The Group operates only in Singapore.

20. Segment Information (cont'd)

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 mainly information technology services to financial sector participants.

The comparative segment results and revenue have been reclassified to conform with the current year's segment presentation wherein certain unallocated corporate costs amounting to \$32,191,000 have been allocated to the various business segments and certain other operations revenue items amounting to \$6,888,000 have been reclassified to the securities market segment.

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

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

Segment assets comprise mainly, securities clearing funds, property, plant and equipment, 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 and tax assets and liabilities are presented under unallocated expenses, assets and liabilities respectively.

21. 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:

	2004	2003
	\$'000	\$'000
Securities exchange fidelity fund	31,595	31,401
Derivatives exchange fidelity fund	21,279	21,049
	52,874	52,450

21. Securities and Derivatives Fidelity Funds (cont'd)

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.

	2004	2003
	\$'000	\$'000
The assets of the securities and derivatives fidelity funds comprise:		
Fixed deposits with banks	42,470	47,381
Quoted bonds, at cost	10,082	5,000
Interest receivable	139	157
Bank balance	531	216
	53,222	52,754
The liabilities of the securities and derivatives fidelity funds comprise:		
Other creditors and accruals	8	6
Provision for taxation	70	71
Due to general fund	260	211
Deferred tax liabilities	10	16
	348	304
Net assets of securities and derivatives fidelity funds	52,874	52,450

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.

22. SGX-DC Common Bond System

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

- (a) the defaulting derivatives clearing member’s margin deposits, security deposits, letters of credit and/or all other assets and securities of that derivatives clearing member;
- (b) a financial guarantee of \$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 23);
- (d) security deposits in equal amounts from each non-defaulting derivatives clearing member; and
- (e) further assessments on derivatives clearing members based on a formula that takes into consideration their capital requirements and share of volume and open interest on SGX-DC (capped at \$8,000,000 if a letter of credit of that amount is posted with SGX-DC to comply with financial resources requirements).

23. 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.

23. SGX-DT Compensation Fund (cont'd)

	2004	2003
	\$'000	\$'000
The assets of the Fund comprise:		
Fixed deposits	17,034	22,809
Bank balances	566	359
Quoted bonds, at cost	12,915	6,999
Government securities, at cost	1,507	1,514
Interest receivable	137	134
	32,159	31,815
The liabilities of the Fund comprise:		
Other creditors and accruals	9	7
Provision for taxation	112	119
Deferred tax liabilities	27	29
	148	155
Net assets	32,011	31,660

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

24. 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 2004 were approximately \$2,032,319,000 (2003: \$1,661,315,000).

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

	2004	2003
	\$'000	\$'000
Security deposits		
Cash	27,211	26,837
Irrevocable letters of credit	46,270	39,420
Margin funds		
Cash	2,395,834	2,085,074
Quoted government securities at fair value	723,435	493,009
Irrevocable letters of credit	171,880	186,539

24. Contingent Liabilities (cont'd)(a) Singapore Exchange Derivatives Clearing Limited ("SGX-DC") (cont'd)

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:

	<u>The Group</u>		<u>The Company</u>	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'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.	111,722	107,348	-	-
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	-	-	5,688	5,618
Financial guarantee provided to SGX-DC for the Common Bond Fund to be utilised in accordance with SGX-DC's Clearing Rules (see note 22)	68,000	68,000	68,000	-
	254,722	250,348	73,688	5,618

25. Commitments

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

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

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Not later than one financial year	12,219	11,275	6,418	7,078
Later than one financial year but not later than five financial years	15,893	17,952	5,338	11,728
	28,112	29,227	11,756	18,806

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

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Provision for surplus leased premises (note 11)	5,600	10,000	4,393	7,869

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

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

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Not later than one financial year	6,947	1,585	2,018	883
Later than one financial year but not later than five financial years	14,736	2,919	1,657	1,633
	21,683	4,504	3,675	2,516

- (c) Capital commitments

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

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Property, plant and equipment	11,867	–	–	–

25. Commitments (cont'd)(d) Other expenditure commitments

	<u>The Group</u>		<u>The Company</u>	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Fees payable to the Monetary Authority of Singapore for assumption of inspection function	9,200	11,500	9,200	11,500
System maintenance	6,119	1,103	–	–
	15,319	12,603	9,200	11,500

26. Related Party Transactions

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

27. Interested Person Transactions

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Robert Stein (Adelphi Capital Partners - consultancy fees)	299	–	299	–

28. Financial Risk Management

(i) *Foreign exchange risk*

The Group's foreign exchange exposure arises from the clearing and settlement of various products and services. The Group has ensured that there is no concentration of foreign exchange risk in a single foreign currency, and excessive foreign currencies are converted back to Singapore dollars.

(ii) *Interest rate risk*

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

(iii) *Counterparty and credit risk*

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

(iv) *Liquidity risk*

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

29. Financial Instruments

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.

30. Authorisation of Financial Statements

These financial statements have been authorised for issue by the Board of Directors on 29 July 2004.

STATISTICS OF SHAREHOLDINGS

As at 27 July 2004

Authorised Share Capital : \$1,000,000,000
 Issued and Paid-up Capital : \$10,298,560
 Class of Shares : Ordinary Shares \$0.01 each
 Voting Rights : One vote per share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	57	0.29	18,444	0.00
1,000 - 10,000	15,845	79.79	66,734,822	6.48
10,001 - 1,000,000	3,917	19.73	206,493,504	20.05
1,000,001 and above	38	0.19	756,609,230	73.47
Total	<u>19,857</u>	<u>100.00</u>	<u>1,029,856,000</u>	<u>100.00</u>

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	SEL Holdings Pte Ltd ¹	249,991,184	24.27
2	Raffles Nominees Pte Ltd	132,863,691	12.90
3	DBS Nominees Pte Ltd	119,964,003	11.65
4	HSBC (Singapore) Nominees Pte Ltd	50,417,204	4.90
5	Citibank Nominees Singapore Pte Ltd	48,964,982	4.75
6	United Overseas Bank Nominees Pte Ltd	25,804,487	2.51
7	UOB Kay Hian Pte Ltd	14,720,906	1.43
8	Phillip Securities Pte Ltd	13,312,145	1.29
9	DBS Vickers Securities (S) Pte Ltd	9,571,000	0.93
10	DB Nominees (Singapore) Pte Ltd	7,145,053	0.69
11	Oversea-Chinese Bank Nominees Pte Ltd	6,999,840	0.68
12	Citicorp Investment Bank (Singapore) Limited	6,000,000	0.58
13	Citigroup Global Markets Singapore Securities Pte Ltd	5,927,272	0.58
14	OCBC Securities Private Ltd	5,486,000	0.53
15	Leong Khuen Nyeon	4,930,000	0.48
16	Kim Eng Securities Pte Ltd	4,567,196	0.44
17	Morgan Stanley Asia (Singapore) Securities Pte Ltd	4,391,897	0.43
18	Nomura Securities Singapore Pte Ltd	3,859,000	0.37
19	Wong Kong Choo	3,610,000	0.35
20	G K Goh Stockbrokers Pte Ltd	3,596,635	0.35
	Total	<u>722,122,495</u>	<u>70.11</u>

Based on information available to the Company as at 27 July 2004, approximately 99.71% 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 hold the SGX shares for the benefit of the Financial Sector Development Fund, shall not exercise or control the exercise of votes attached to the SGX shares. Owing to the restriction in the exercise of votes attached to the shares, SEL is not regarded as a substantial shareholder of SGX.

NOTICE OF ANNUAL GENERAL MEETING AND BOOKS CLOSURE DATE

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of Singapore Exchange Limited will be held at 2 Shenton Way SGX Centre 1, 2nd Level SGX Auditorium, Singapore 068804 on 17 September 2004 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following Resolutions which will be passed as Ordinary Resolutions:

A) Ordinary Business

Resolution 1

To receive and adopt the Directors' Report and the Audited Accounts for the year ended 30 June 2004 with the Auditors' Report thereon.

Resolution 2

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

Resolution 3

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

- (a) Mr Ho Tian Yee
- (b) Mr Wong Ngit Liong

Resolution 4

To appoint the following Directors pursuant to Article 104 of the Articles to hold office as Directors of the Company:

- (a) Mr Lee Hsien Yang
- (b) Ms Olivia Lum Ooi Lin
- (c) Mr Robert Owen

To note:

- (i) the retirement of Mr Goh Yew Lin and Mr Victor Liew Cheng San as Directors, who will retire by rotation pursuant to Article 99 of the Articles
- (ii) the resignation of Mr Richard Gnodde as a Director with effect from the close of the Fifth Annual General Meeting

The biodata of Mr Lee Hsien Yang, Ms Olivia Lum Ooi Lin, and Mr Robert Owen are found in the "Proposed Directors" section of the Annual Report.

Resolution 5

To approve the sum of \$489,900 as Directors' fees for the financial year ended 30 June 2004.

Resolution 6

To declare a final gross dividend of \$0.04075 per share less income tax of 20% for the financial year ended 30 June 2004.

Resolution 7

To declare a special gross dividend of \$0.065 per share less income tax of 20% for the financial year ended 30 June 2004.

Resolution 8

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

B) Special Business**Resolution 9**

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

- (a) (i) issue shares in the capital of the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,
- at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (“SGX-ST”)) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent consolidation or subdivision of shares;

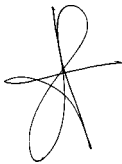
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the Monetary Authority of Singapore) and the Articles for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

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.

C) To Transact Any Other Business

By Order Of The Board



Joyce Fong Foong Chao (Ms)
Company Secretary
Singapore Exchange Limited
23 August 2004

Statement Pursuant To Article 59 Of The Company's Articles of Association

Ordinary Resolution 9 is to empower the Directors to issue ordinary shares in the capital of the Company and to make or grant Instruments (such as warrants or debentures) convertible into ordinary shares, and to issue ordinary shares in pursuance of such Instruments, up to an amount not exceeding in 50 per cent of the issued share capital of the Company, with a sub-limit of 20 per cent for issues other than on a *pro rata* basis to shareholders. For the purpose of determining the aggregate number of ordinary shares that may be issued, the percentage of issued share capital shall be based on the issued share capital of the Company at the time that Resolution 9 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 9 is passed, and (b) any subsequent consolidation or subdivision of shares.

Ordinary 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 and as modified by the Committee from time to time, 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 Payment Date For Final And Special Dividends

The Company gives notice that, subject to the approval of the shareholders to the final dividend and special dividend at the Annual General Meeting, the Register of Members and the Transfer Books of the Company will be closed from 24 September 2004 after 5.00 p.m. to 26 September 2004, both dates inclusive, for the preparation of dividend warrants. The Register of Members and the Transfer Books will re-open on 27 September 2004. Duly completed registered transfers of ordinary shares of \$0.01 each in the capital of the Company received by the Company's Share Registrar, Lim Associates (Pte) Ltd, at 10 Collyer Quay #19-08 Ocean Building, Singapore 049315 before 5.00 p.m. on 24 September 2004, will be registered in the Register of Members and the Transfer Books of the Company to determine shareholders' entitlements to the final dividend and special dividend. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the final dividend and special dividend will be paid by the Company to CDP which will, in turn distribute the entitlements to the final dividend and special dividend to CDP account holders in accordance with its normal practice.

The final dividend and special dividend, if approved by shareholders, will be paid on 6 October 2004.

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 23 August 2004. Shareholders who wish for a copy of the full Annual Report may request for 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 Annual General Meeting dated 23 August 2004 set out herein is for information purposes only. We have issued the Notice of Annual General Meeting to the shareholders in accordance with Section 177(2) of the Companies Act (Chapter 50), together with our Summary Annual Report.

Board of Directors

J Y Pillay (Chairman)
Hsieh Fu Hua (Chief Executive Officer)
Richard Gnodde (Non-Executive Director)
Goh Yew Lin (Non-Executive Director)
Ho Tian Yee (Non-Executive Director)
Victor Liew Cheng San (Non-Executive Director)
Low Check Kian (Non-Executive Director)
Wong Ngit Liong (Non-Executive Director)
Tang Wee Loke (Non-Executive Director)
Geoffrey Wong Ee Kay (Non-Executive Director)
Ng Kee Choe (Non-Executive Director)
Loh Boon Chye (Non-Executive Director)

Company Secretary

Joyce Fong Foong Chao

Audit Committee

Ho Tian Yee (Chairman)
Goh Yew Lin
Victor Liew Cheng San
Loh Boon Chye
Ng Kee Choe
Tang Wee Loke
Geoffrey Wong Ee Kay

Secretary: David Liew Kim Seng

Nominating Committee

Low Check Kian (Chairman)
J Y Pillay
Goh Yew Lin
Ho Tian Yee
Victor Liew Cheng San
Ng Kee Choe

Secretary: Joyce Fong Foong Chao

Appeals Committee

J Y Pillay (Chairman)
Victor Liew Cheng San
Low Check Kian
Tang Wee Loke
Geoffrey Wong Ee Kay
Colin Ng Teck Sim (Non Director)
Lucien Wong Yuen Kuai (Non Director)

Secretary: Joyce Fong Foong Chao

Compensation and Management Development Committee

Wong Ngit Liong (Chairman)
J Y Pillay
Hsieh Fu Hua
Richard Gnodde
Low Check Kian
Ng Kee Choe

Secretary: Joyce Fong Foong Chao

Strategy Committee

J Y Pillay (Chairman)
Hsieh Fu Hua
Goh Yew Lin

Ho Tian Yee
Low Check Kian
Loh Boon Chye
Tang Wee Loke
Geoffrey Wong Ee Kay
Wong Ngit Liong

Secretary: Joyce Fong Foong Chao

Conflicts Committee

J Y Pillay (Chairman)
Hsieh Fu Hua
Wong Ngit Liong
Joyce Fong Foong Chao (Non Director)
Daniel Tan Bak Hiang (Non Director)

Secretary : Alan Joseph Shaw (up to 30 June 2004)
Yeo Lian Sim (as of 1 July 2004)

Executive Committee

Hsieh Fu Hua (Chairman)
Ang Swee Tian
Peter Chia Chon Hian
Gan Seow Ann
Seck Wai Kwong
Daniel Tan Bak Hiang
Chew Hong Gian
Linus Koh Kia Meng
Alan Joseph Shaw (up to 30 June 2004)
Yeo Lian Sim (as of 1 July 2004)

Secretary: Janice Kan Pui Yoke

Investor Relations

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Share Registrar

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10 Collyer Quay #19-08
Ocean Building
Singapore 049315

Person-in-charge: Sebastian Tan Cher Liang

Auditors

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

Partner-in-charge: Phillip Tan Eng Seong
(appointed since 15 November 1999)