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NEWS RELEASE

SGX Group Announces FY2002 Full Year Results

- **Net Profit Up 24.2% to \$60.9 Million**
- **Full Year Gross Dividend Payout of 7.3 Cents**

Singapore Exchange Limited (SGX) today announced its unaudited annual financial results for the fiscal year ended 30 June 2002.

SGX Group achieved S\$60.9m net profit after tax and minority interests, a 24.2% increase over the previous financial year. Total operating profit for the current financial year, excluding the S\$7.0m exceptional provision for surplus leased premises, was lower at S\$64.0m, compared to S\$72.4m last year due to anticipated increases in operating costs as part of new product and infrastructural development. SGX recorded total operating revenue of S\$228.5m, an increase of 5.3%, attributable to an increase in revenue from both its securities and derivatives markets. Total operating expenses increased 13.7% to S\$164.5m, in line with the projected increase of 15% for the year.

SGX declared a final gross dividend of 4.396 cents per share. In March 2002, an interim gross dividend of 2.904 cents per share was paid for the half-year ended December 2001. The final dividend brings the full year gross dividend to 7.3 cents per share and matches the gross dividend paid in the previous financial year. Subject to shareholders' approval at the Annual General Meeting, the final dividend will be paid in October 2002.

SGX CEO, Mr Thomas Kloet, commented, "I am pleased with the solid performance for this past year. During this period, despite the challenging market environment, SGX remained driven by the desire to respond to customer needs and deliver valuable products and services to our markets. Both our securities and derivatives markets performed well to boost their revenue contributions. At the same time, we have managed our costs, even as we continued to implement new initiatives and other capacity building efforts."

He added, "Going forward, we will continue our efforts to offer a more exciting array of products and services, extend our market reach and global distribution, and develop the infrastructure of our marketplace for greater efficiencies. We are confident that the

innovative steps we take today will further enhance the vibrancy and sophistication of our market and provide the foundation for long term growth."

Financial Highlights of FY2002 Full Year Results – 1 July 2001 to 30 June 2002

S\$m	FY2002	FY2001
Operating revenue	228.5	217.0
Operating expenses	(164.5)	(144.6)
Operating profit	64.0	72.4
Non-operating revenue	20.1	17.0
Exceptional items	(7.0)	(20.5)
Share of losses of joint venture	(0.1)	(0.5)
Profit before tax and minority interests	77.0	68.4
Tax	(18.7)	(19.4)
Minority interests	2.6	-
Net profit after tax attributable to shareholders	60.9	49.0

(For complete unaudited full year financial statement and dividend announcement, please refer to MASNET Filing).

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Notes

Securities Market Initiatives

In our efforts to continuously grow the securities market, we plan to broaden our membership base by attracting new international members through marketing our membership to securities houses on a regional as well as global basis. In addition, we are streamlining the membership class structure in our market divisions. We will be introducing a new membership structure that allows new and existing members to choose between trading-only membership or clearing-only membership or both trading and clearing membership. We have revised the CDP clearing rules to incorporate the admission requirements and expect to launch the new membership structure in the third quarter of 2002.

To ensure that our listing requirements meet market needs and practices, we have introduced a new listing manual which reflected international best practices and feedbacks from market practitioners and members of the public. The new listing manual, which took effect from 1 July 2002, incorporated key amendments designed to clarify

and simplify obligations of listed issuers while retaining the essential requirements for a fair and orderly market.

We have started a major review of the Singapore Exchange Securities Trading (SGX-ST) Rules & Bye Laws to ensure that our rules and bye laws were in line with current market practices and the new Securities and Futures Act and Regulations, and expect to complete the review by the second quarter of 2003.

To become an international marketplace with a world-class infrastructure to attract greater institutional and retail interests to our market, we have also been undertaking the following projects:

(a) SGXAccess

On 29 March 2001, we launched SGXAccess, an open interface for securities trading which provides for wider and more direct distribution of products. SGXAccess uses a widely accepted international protocol (FIX 4.2) and allows brokers to differentiate their products to clients.

Nine members have adopted SGXAccess while another member has signed a Memorandum of Intent to adopt SGXAccess by the third quarter of 2002. We will continue to market SGXAccess to other member companies, on-line brokers and potential overseas brokers and traders.

In April 2002, SGX was named Computerworld Honors Laureate for the development of SGXAccess. The award recognizes organizations and institutions that are leading the global information technology revolution.

(b) Exchange Traded Funds (ETFs)

ETFs are indexed funds or baskets of stocks that trade in the same way as individual stocks. Further to the 5 ETFs launched in May 2001, Singapore's first local ETF, the streetTRACKSSM Straits Times Index Fund, was listed on SGX on 17 April 2002. This product was jointly developed by SGX and State Street Global Advisors.

(c) Securities Borrowing and Lending

The SGX Securities Lending programme was launched on 7 January 2002 and to date we have built a lending pool with more than 1,100 participants registered to lend about 492 million shares of 188 eligible securities valued above \$740 million in total.

We continue to enhance the facility to increase borrowing activities. Effective 8 April 2002, borrowers are able to request for successive rollovers of the loan term of T+3 market days. From 15 April 2002 onward, live information on the securities lending pool is accessible via SGX website. This information allows market participants and investors to make more timely decisions to cover potential fail trades and to execute additional trading strategies.

We are developing the next phase of the lending programme, which will provide borrowers with the flexibility of requesting for specific loan periods and negotiating the borrowing rates.

The Securities Lending programme provides investors with additional income opportunities, improves investment and hedging opportunities for market participants and will help pave the way for the development of an active equity options market.

(d) *Straight Through Processing*

We are planning to develop an open settlement infrastructure that will allow member companies to connect their own settlement and risk management systems to the CDP settlement system, and facilitate Straight Through Processing (STP) to improve market efficiency. STP, which automates trade processing from order entry to settlement and custody, will reduce operating costs and lower the risk for market participants in securities settlement.

We have presented the business and technical architecture of the proposed STP infrastructure to various sectors of the industry, and have received feedback on the design. We are now considering the feedback and will be issuing a Request for Proposal to technology vendors to build the STP infrastructure.

The second phase of the STP initiative, which is to build and implement the STP infrastructure, is expected to take between 18 and 24 months from the contract award date.

(e) *Cross Border Linkage Infrastructure*

The ASX-SGX co-trading linkage, the first such facility in the world, was officially launched on 20 December 2001. This electronic linkage allows brokers at each exchange to transmit orders through their existing trading terminals directly into the electronic trading system of the other exchange for execution. Information necessary for clearing and settlement is also provided.

This facility is intended to increase the liquidity of the securities covered. The linkage may also serve as a model for regional co-operation to enhance our market reach, liquidity and product range to meet the needs of investors. Through 30 June 2002, about \$100 million in securities trading value has gone through the link.

(f) *Strategic Alliance With Tokyo Stock Exchange*

On 1 October 2001, SGX and Tokyo Stock Exchange (TSE) signed a Heads of Agreement (HOA) to pursue a strategic alliance with the aim of broadening distribution and enhancing the liquidity of products traded on both markets.

Two working group meetings have been held to explore issues relating to cross access arrangements for the co-trading and clearing of products listed on both exchanges, new product development, marketing, information technology development, and information sharing. On 1 July 2002, SGX and TSE agreed to extend the HOA by another 120 days to facilitate further discussions between the two exchanges. Meanwhile, a third working group meetings is being planned to advance ongoing discussions.

(g) Real-time Market Data Feed

On 1 July 2002, we launched the SGX SecuritiesBook, a new real-time multi-level data feed dissemination system. This system allows investors to access full order book information on the SGX securities market, on a subscription basis. The greater transparency and the enhanced price discovery process offered by the system will enable investors to make better-informed decisions.

(h) Enhancement to Corporate Announcement System

To facilitate reporting by listed companies, especially those from overseas, we are planning to replace the existing MASNET system with a web-based corporate announcement system. The new system will enable global usage and allow for customized corporate data subscription. We expect to launch the new system by end of second quarter 2003.

Derivatives Market Initiatives

In our parallel efforts to continuously grow the derivatives market, we have been expanding trading access and improving the facilities for transaction executions. In addition, new products have been scheduled for launching to provide additional market liquidity and to increase trading and hedging opportunities.

Following are highlights of major projects:

(i) Trading Access and Facilities

(a) Global Access to SGX-DT Electronic Trading System (ETS)

We have been actively working with independent software vendors (ISVs) and Corporate Members to develop direct interfaces to the ETS. SGX-DT products on ETS can then be accessed directly through such ISVs/proprietary front-ends globally through internet and other leased or private network lines. Several ISVs and member companies are already successfully connected to the ETS from several major overseas markets and the ETS now has more than 2,000 registered users in fifteen countries.

(b) Palm/Pocket PC Access to Derivatives Trading

The ETS has been accessible globally from palm/pocket PCs since 26 October 2001. The SGX derivatives contracts which can be traded via palm/pocket PCs include:

- Euroyen Futures;
- Japanese Government Bond Futures;
- Nikkei 225 Futures;
- Nikkei 300 Futures;
- MSCI Taiwan Index Futures;
- MSCI Singapore Index Futures;
- MSCI Japan Index Futures Contract
- Straits Times Index Futures;
- S&P CNX NIFTY Index Futures;
- 5-year Singapore Government Bond futures; and
- Single Stock Futures.

(c) **Trade Management System**

In April 2002, we implemented the Trade Management System, which enables Clearing Members to submit their trade amendment, deletion and transfer requests electronically, thereby improving the efficiency and productivity of both SGX's and Clearing Members' back-office operations. We are now looking at further enhancement to the system to enable greater convenience and time saving to Clearing Members.

(d) **Auto-mailing Facility**

We introduced an auto-mailing facility in March 2002 whereby members are automatically notified whenever there are changes to margin rates. This allows direct access to more timely information on margin changes, thereby enabling them more time to make the necessary arrangements to meet their funding needs.

(ii) **Product Initiatives**

(a) **Singapore Dollar Interest Rate Futures and Nikkei 225 Options Contracts**

Singapore Dollar Interest Rate Futures (SD) and Nikkei 225 Options contracts were made available for trading via the ETS with effect from 23 November 2001 and 27 August 2001 respectively. These two contracts can be traded electronically through ETS terminals, SESOPS terminals and terminals provided by independent software vendors, or palm/pocket PCs.

(b) **Single Stock Futures**

Single Stock Futures (SSFs) based on 15 selected stocks listed on SGX-ST were launched on 26 October 2001. They can be traded electronically through ETS terminals and SESOPS terminals. SSFs based on major stocks listed in the key regional, European and US stock markets are expected to be listed at a later stage.

The introduction of SSFs represents an important synergy of our securities and derivatives markets. We expect to see increased inter-market trading and hedging activities involving the two markets.

We continue to conduct extensive marketing and education programme on this new product and have received excellent responses to our SSFs seminars.

(c) **Serial Months for Nikkei 225 Futures**

On 4 March 2002, we launched the trading of three nearest serial months for the Nikkei 225 Futures and changed the final settlement of Nikkei 225 Options serial months to expire during the corresponding Nikkei 225 Futures serial months, instead of the nearest Futures quarterly month.

(d) Full-Sized JGB Futures and Options

We launched a fungible full-sized SGX 10-year Japanese Government Bond Futures and Options Contracts on 18 April 2002. We believe this product will create cost efficiencies for hedgers with large inventory.

(e) MSCI Japan Index Futures Contract

We launched the MSCI Japan Index Futures Contract on 15 May 2002. This contract complements the highly successful Nikkei 225 Index futures by providing new trading, arbitraging and risk management opportunities based on a well established and widely followed capitalization-weighted benchmark of the Japan market.

With the support of our international market participants and members, we are optimistic of the potential of this product. The addition of the MSCI Japan Index Futures to our growing suite of index contracts is expected to be highly attractive and beneficial to the existing users of our MSCI index contracts. In addition, the MSCI Japan Index Futures Contract, traded exclusively on ETS, provides global accessibility and hence facilitates greater international market participation. This contract can also be traded globally via SESOPS terminals and terminals provided by independent software vendors.

(f) Euroyen Options on Mutual Offset System with CME

We will be introducing Euroyen options on SGX's Mutual Offset System (MOS) with the Chicago Mercantile Exchange (CME) in the second half of 2002. This new addition will meet market demands for greater cost efficiency by using the instrument for round-the-clock trading and hedging.

(g) Middle Eastern Crude Oil Index

On 3 April 2002, SGX and the Tokyo Commodity Exchange (TOCOM) signed an agreement to cooperate on the launch of the Middle Eastern Crude Oil (MECO) futures on SGX, and the possibility of further co-operation in other products.

The MECO Index, which is expected to be launched during the third quarter of 2002, will follow similar contract specifications as the successful TOCOM MECO futures contract, although it will trade in a US Dollar per barrel pricing convention. SGX and TOCOM will work towards the fungibility of their respective contracts so as to deepen the contracts' liquidity and margin efficiency for their market participants.

(iii) Innovation and Synergy Initiatives

(a) Collateral Innovation

We have identified a new form of collateral which Members and their customers may use to meet their margin requirement at lower cost. Preparations are currently underway to implement the new collateral.

(b) Synergistic Alliance

We are in discussion with a number of exchanges about the possibility of establishing trading and clearing co-operation, with an aim to expand the trading product range and allow market participants to manage their positions and risks around the clock with minimal costs.

Securities Processing & Settlement Outsourcing Services Initiative

• **Asia Converge Pte Ltd (previously known as “Megatrex Trading Pte Ltd”)**

On 27 March 2001, SGX-ITS signed an agreement to form a joint venture company, Asia Converge Pte Ltd (AC), with DBS Vickers Securities (Singapore) Pte Ltd and OCBC Securities Pte Ltd to provide securities processing and settlement outsourcing services.

AC expects to increase client brokers' operational efficiency and reduce transaction costs by providing technology (Application Service Provider, or ASP) and operational (Business Service Provider, or BSP) outsourcing services for securities processing. These services will cover the whole value chain of securities back-office processing from trade capture, trade confirmation, trade enrichment, settlement, trade payments and receipts to custody. Other value added back-office services include opening of trading accounts and handling of corporate actions. These services can be offered on a modular basis.

AC will also be developing a system which includes multi-market, multi-product, multi-currency and real time analysis capabilities. The solution will ultimately enable straight through processing for the entire chain of securities processes by integrating the front-end with the back-end of a securities transaction. We are currently evaluating the infrastructure development proposals submitted by technology vendors.

In September 2001, SGX-ITS injected \$4.1 million into AC and retained a 51% equity interest in it.

AC now processes more than 20% of the securities markets transactions in Singapore. The processing infrastructure of AC is now a proven multi-broker model. To assure processing quality, efforts have been undertaken to identify and materialize processing efficiencies through automation and recommending the best practices on operating procedures to existing customers. In addition, AC commissioned an independent audit in February 2002 to conduct an operations review, which ascertained that confidentiality of client information is maintained,

and that processing is reliable. Regular operational audits will be scheduled to ensure that operational risks are well controlled. Extensive marketing efforts are now underway.

Technology and System Initiative

- ***Consolidation of Trading and Clearing System***
We have issued Request for Information documents to external vendors to examine the feasibility of consolidating our technology operating systems and we have received numerous proposals from the vendors. We are currently conducting a structured assessment of the proposals.

This move is part of our broader strategic study currently being undertaken to review our technology plan, in support of our strategic vision of creating a fully integrated trading, clearing and settlement facility for both equities and derivatives products.

Singapore Exchange Limited (SGX)

Singapore Exchange Ltd (SGX) is Asia Pacific's first demutualised and integrated securities and derivatives exchange. It was inaugurated on 1 December 1999, following the merger of two established and well-respected financial institutions – the Stock Exchange of Singapore (SES) and the Singapore International Monetary Exchange (SIMEX). Leveraging on the combined strengths of the former entities, and through its innovative approach, broad range of products, strong international alliances and cutting-edge technology, SGX aims to establish itself as a leading integrated exchange and expand its presence in the global financial marketplace. On 23 November 2000, SGX became the first exchange in Asia Pacific to be listed via a public offer and a private placement. SGX is listed on its own Mainboard. For more information, visit us at www.sgx.com.