



## **SGX Business Remains Robust and Profitable, Bolstered by Derivatives Trading**

*SGX results for 1Q FY2009 ended 30 September 2008*

- **Net profit: Down 35.0% from a record 1Q FY2008 to \$84.5m**
- **Operating profit : Down 35.0% y-o-y but flat q-o-q at \$104.8m**
- **Operating revenue: Down 28.0% to \$158.2m**
  - ❖ **Net derivatives clearing revenue: Up 23.6% to \$46.1m**
  - ❖ **Securities market revenue: Down 47.3% to \$74.4m**
  - ❖ **Stable revenue: Down 8.6% to \$37.7m**
- **11 new listings<sup>1</sup> of which five<sup>1</sup> are Catalist IPOs**
- **Interim base (tax exempt one-tier) dividend of 3.5 cents per share**

15 October 2008 - Singapore Exchange Limited (SGX) today reported a net profit of \$84.5 million in 1Q FY2009, 35.0% lower compared to a year ago (1Q FY2008: \$130.0 million) when SGX recorded its highest quarterly profit since listing. Operating profit fell 35.0% to \$104.8 million (1Q FY2008: \$161.4 million), however, it was relatively flat from the previous preceding quarter (4Q FY2008: \$103.7 million). In line with its new dividend policy, SGX Directors have declared an interim base dividend of 3.5 cents per share on a tax exempt one-tier basis.

Mr Hsieh Fu Hua, Chief Executive Officer of SGX said: “Notwithstanding the current turbulence in global financial markets, SGX business remains robust and profitable, bolstered by derivatives trading. SGX continues to be vigilant and stands ready to maintain the integrity and orderliness of its markets, while actively managing its clearing risk exposure.”

Please refer to the attached “CEO’s Statement” for more details.

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<sup>1</sup> Includes one Reverse Takeover (RTO).



### **CEO's Statement**

SGX recorded a net profit of \$84.5 million in 1Q FY2009, 35.0% lower compared to a year ago when we recorded our highest quarterly profit since listing (1Q FY2008: \$130.0 million).

The directors are pleased to declare an interim base dividend of 3.5 cents per share (1Q FY2008: 3.0 cents per share) on tax exempt one-tier basis.

### **Financials**

Operating revenue in the first quarter of FY2009 registered a 28.0% fall to \$158.2 million (1Q FY2008: \$219.7 million). Operating expenses fell 8.3% to \$53.4 million (1Q FY2008: \$58.3 million). The decrease in expenses was mainly due to lower variable bonus provision.

Securities market revenue fell 47.3% to \$74.4 million in 1Q FY2009 (1Q FY2008: \$141.2 million). Stable revenue posted an 8.6% drop to \$37.7 million (1Q FY2008: \$41.2 million), mainly attributable to lower account maintenance and corporate action fees.

The decline in securities market revenue and stable revenue was partly offset by net derivatives clearing revenue which increased 23.6% to \$46.1 million (1Q FY2008: \$37.3 million).

Operating leverage improved as stable revenue and derivatives revenue now cover 156.9% of total operating expenses (1Q FY2008: 134.8%).

### **Securities Market Revenue**

Behind the decline in securities market revenue is a 51.1% fall in the daily average trading value for this quarter to \$1.3 billion (1Q FY2008: \$2.6 billion). The annualised trading velocity for the quarter was 56.9% (1Q FY2008: 84.8%).

In line with the drop in global capital raising, new listings numbered 11<sup>1</sup> in the first three months of FY2009 (1Q FY2008: 23 listings<sup>2</sup>). These new listings raised \$0.3 billion (1Q FY2008: \$1.9 billion) with a total market capitalization of \$1.6 billion (1Q FY2008: \$5.4 billion).

Since the listing of the first Catalist company on 25 June 2008, we have added another five<sup>1</sup> companies in the first quarter. The list of approved Sponsors has also grown to 11 Full Sponsors and seven Continuing Sponsors.

Exchange Traded Funds (ETFs) remained popular with investors, as the traded value of ETFs surged 255.8% to reach \$804.6 million (1Q FY2008: \$226.1 million).

### **Derivatives Market Revenue**

Derivatives trading volume increased 40.7% to 17.4 million contracts (1Q FY2008: 12.3 million contracts). The total open interest in our Asian equity derivatives suite grew 32.5% to 722,868 contracts as at 30 September 2008 (28 September 2007: 545,379 contracts).

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<sup>1</sup> Includes one Reverse Takeover (RTO).

<sup>2</sup> Includes two RTOs.



SGX's derivatives market saw record volumes for 1Q FY2009. Trading volume in the MSCI Taiwan futures contract increased 20.4% year-on-year to 4.5 million contracts (1Q FY2008: 3.7 million contracts). We also saw a 11.0% rise in the trading of our Nikkei futures contract to 7.2 million contracts (1Q FY2008: 6.5 million contracts). In addition, the CNX Nifty Index futures contract trading volume grew to 4.1 million contracts (1Q FY2008: 253,915 contracts<sup>3</sup>) and open interest rose more than nine times to 243,522 contracts as at 30 September 2008 (28 September 2007: 25,365 contracts<sup>3</sup>).

Structured warrants trading value fell 45.2% to \$4.1 billion (1Q FY2008: \$7.5 billion). Trading value for warrants on foreign underlying securities now accounts for 50.3% of the total warrants market (1Q FY2008: 24.2%), indicating our success in providing investors access to Asian markets.

#### **Post-Trade Processing Hub**

Since inception in May 2006, SGX AsiaClear® has attracted over 220 counterparty accounts on its trading and clearing network. The value of trades cleared grew 2.4% year-on-year to reach US\$1.40 billion (1Q FY2008: US\$1.37 billion).

#### **Technology**

Quest-ST, the new securities trading system, was launched successfully on 7 July 2008. It supports the introduction and faster implementation of a wider range of products and services.

SGX launched a Pre-Settlement Matching Service, SGX Prime on 13 October 2008. This service enhances market participants' operational efficiency and minimises error by automating the confirmation of settlement instructions between Clearing Members and Depository Agents.

#### **Regulation and Risk Management**

As part of ongoing efforts to broaden our range of listed products, in August 2008, we consulted the market on new listing rules for life science companies as well as new classes of investment funds, including private equity and "blind pool" funds.

In September 2008, global financial markets experienced turmoil. SGX undertook risk mitigating measures to manage our clearing risk exposure and protect our Clearing Houses. Lehman Brothers Pte Ltd ("LBPL"), a Clearing Member of both SGX-DC and CDP, met its financial obligations. Its house derivatives positions were closed out and its customer positions were transferred to other brokers.

To maintain the orderliness of the market during these turbulent times, measures were taken to enhance market transparency. We now publish the list of securities for buying-in each morning and the execution details the following business day. In addition, penalties were introduced on failed deliveries (in particular from naked short-selling) to safeguard the integrity of the clearing system.

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<sup>3</sup> The number of CNX Nifty Index futures contracts (IN) multiplied by five for comparison purposes as the contract size was reduced fivefold in November 2007.

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**Financial Highlights of 1Q FY2009 Results – 1 July 2008 to 30 September 2008**

<b>S\$ Million</b>	<b>1Q FY2009</b>	<b>4Q FY2008</b>	<b>Q-on-Q Change</b>	<b>1Q FY2008</b>	<b>Y-on-Y Change</b>
Operating Revenue	158.2	172.0	(8.0%)	219.7	(28.0%)
Operating Expenses	(53.4)	(68.3)	(21.9%)	(58.3)	(8.3%)
Profit from Operating Activities	104.8	103.7	1.1%	161.4	(35.0%)
Other Gains/(Losses)	(1.6)	4.3	NM	(1.0)	69.2%
Profit Before Tax and Share of Results of Joint Ventures and Associated Companies	103.2	108.0	(4.4%)	160.4	(35.7%)
Share of Results of Joint Ventures and Associated Companies	(0.1)	(0.0)	NM	(0.4)	(81.7%)
Tax	(18.6)	(17.6)	6.1%	(30.0)	(37.8%)
<b>Profit Attributable to Equity Holders</b>	<b>84.5</b>	<b>90.4</b>	<b>(6.5%)</b>	<b>130.0</b>	<b>(35.0%)</b>
Basic earnings per share (cents)	7.95	8.51	(0.56)	12.24	(4.29)
Dividend per share (tax exempt one-tier) (cents)					
- base	3.50	3.00	0.50	3.00	0.50
- variable	-	26.00	(26.00)	-	-

NM : Not meaningful

The complete 1Q FY2009 financial statements are available on SGXNET and the [Investor Relations](#) page of our website at [www.sgx.com](http://www.sgx.com). (SGX SP, SGXL.SI)

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