



**SINGAPORE EXCHANGE LIMITED**

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## **Unaudited Financial Statement for the Third Quarter Ended 31 March 2002**

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Financial statements on consolidated results for the third quarter ended 31 March 2002. Certain items reported for the third quarter ended 31 March 2001 have been reclassified to conform to this report for the third quarter ended 31 March 2002.

The financial statements have been prepared in compliance with Singapore Statements of Accounting Standard ("SAS"). New SASs adopted in the current financial period include:

- i) SAS 8 - Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies;
- ii) SAS 10 - Events after the Balance Sheet Date;
- iii) SAS 12 - Income Taxes;
- iv) SAS 17 - Employee Benefits;
- v) SAS 22 - Business Combinations;
- vi) SAS 26 - Consolidated Financial Statements and Accounting for Investments in Subsidiaries;
- vii) SAS 29 - Financial Reporting of Interests in Joint Ventures;
- viii) SAS 30 - Interim Financial Reporting;
- ix) SAS 31 - Provisions, Contingent Liabilities and Contingent Assets;
- x) SAS 32 - Financial Instruments: Disclosure and Presentation;
- xi) SAS 33 - Financial Instruments: Recognition and Measurement;
- xii) SAS 34 - Intangible Assets; and
- xiii) SAS 36 - Impairment of Assets.

In particular, SAS 33 requires the gain or loss on the effective cash flow hedge to be recognised directly in equity. Accordingly, an amount of \$927,557 was reclassified from trade and other debtors to hedging reserve as of 31 March 2002. SAS 33 specifically requires no retrospective adjustment to be made for the comparative figures as of 31 March 2001.

There are no major adjustments to the financial statements arising from the adoption of these new accounting standards.

These figures have not been audited.

	Group			Company		
	S\$'000		%	S\$'000		%
	1 Jul 2001 to 31 Mar 2002	1 Jul 2000 to 31 Mar 2001	Change	1 Jul 2001 to 31 Mar 2002	1 Jul 2000 to 31 Mar 2001	Change
1.(a) <b>Turnover</b>						
<b>Operating revenue</b>						
- Management fees from subsidiaries	-	-	-	58,020	56,174	3.3
- Gross dividend income from subsidiaries	-	-	-	-	106,490	(100.0)
- Clearing and related income	86,193	82,562	4.4	-	-	-
- Access & terminal fees	23,969	22,094	8.5	-	-	-
- Account maintenance & processing fees	27,219	25,807	5.5	-	-	-
- Listing & membership fees	12,208	13,333	(8.4)	-	-	-
- Price information fees	8,741	8,599	1.7	-	-	-
- Sale of software & other computer services	4,748	5,201	(8.7)	-	-	-
- Other operating revenue	4,571	4,592	(0.5)	958	1,085	(11.7)
<b>Total operating revenue</b>	<b>167,649</b>	<b>162,188</b>	<b>3.4</b>	<b>58,978</b>	<b>163,749</b>	<b>(64.0)</b>
1.(b) Investment income #	6,094	8,241	(26.1)	5,628	7,242	(22.3)
1.(c) Other income including interest income	4,309	7,620	(43.5)	659	2,752	(76.1)
2.(a) Profit before income tax, minority interests, extraordinary items, interest on borrowings, depreciation and amortisation, foreign exchange gain/(loss) and exceptional items and after charging:-	77,087	85,542	(9.9)	14,217	124,617	(88.6)
- Staff costs	(50,907)	(49,455)	2.9	(31,137)	(31,215)	(0.2)
- Occupancy costs	(13,378)	(11,437)	17.0	(6,454)	(6,398)	0.9
- System maintenance & rental	(14,632)	(13,157)	11.2	(5,939)	(6,798)	(12.6)
- Other operating expenses	(22,048)	(18,458)	19.5	(7,518)	(4,715)	59.4
2.(b)(i) Interest on borrowings	-	-	-	-	-	-
2.(b)(ii) Depreciation and amortisation	(16,903)	(14,643)	15.4	(6,899)	(5,139)	34.2
2.(b)(iii) Foreign exchange gain/(loss)	166	288	(42.4)	(19)	-	NA
2.(c) Exceptional items ##	(7,000)	(20,545)	(65.9)	(7,000)	(20,545)	(65.9)
2.(d) Profit/(Loss) before income tax, minority interests and extraordinary items but after interest on borrowings, depreciation and amortisation, foreign exchange gain/(loss) and exceptional items	53,350	50,642	5.3	299	98,933	(99.7)
2.(e) Share of losses of joint venture	(114)	-	NA	-	-	-
2.(f) Less income tax	(15,839)	(14,158)	11.9	(995)	(24,825)	(96.0)
2.(g)(i) Profit/(Loss) after tax before deducting minority interests	37,397	36,484	2.5	(696)	74,108	NA
2.(g)(ii) Minority interests	1,769	-	NA	-	-	-
2.(h) Profit/(Loss) after tax attributable to shareholders of the company	39,166	36,484	7.4	(696)	74,108	NA

	Group			Company			
	S\$'000		%	S\$'000		%	
	1 Jul 2001 to 31 Mar 2002	1 Jul 2000 to 31 Mar 2001	Change	1 Jul 2001 to 31 Mar 2002	1 Jul 2000 to 31 Mar 2001	Change	
2.(i)(i)	Extraordinary items	-	-	-	-	-	
2.(i)(ii)	Less minority interests	-	-	-	-	-	
2.(i)(iii)	Extraordinary items attributable to shareholders of the company	-	-	-	-	-	
2.(i)(iv)	Transfer to/from Exchange Reserve	-	-	-	-	-	
2.(i)(v)	Transfer to Capital Reserve	-	-	-	-	-	
2.(i)(vi)	Transfer to Reserve Fund	-	-	-	-	-	
2.(j)	Profit/(Loss) after tax and extraordinary items attributable to shareholders of the company	39,166	36,484	7.4	(696)	74,108	NA

# Investment income comprises realised and unrealised gains or losses, and interest income from managed funds and fixed income securities.

## See Paragraph 4d.

NA: Not applicable.

	Group Figures	
	1 Jul 2001 to 31 Mar 2002	1 Jul 2000 to 31 Mar 2001
3.(a)	Earnings per share based on 2(h) above:-	
	(i) Based on existing issued share capital	Cents
	(ii) On a fully diluted basis	Cents
3.(b)	Earnings per share based on 2(j) above:-	
	(i) Based on existing issued share capital	Cents
	(ii) On a fully diluted basis	Cents
	Weighted average number of ordinary shares in issue for basic earnings per share ('000)	
	Adjustment for assumed conversion of share options ('000)	
	Weighted average number of ordinary shares for diluted earnings per share ('000) @	
3.(c)	Net tangible asset backing per ordinary share @@	

@ The weighted average number of ordinary shares for the financial year ended 30 June 2001 has been used to compute the comparative earnings per share to provide a better comparison of earnings per share.

@@ Net tangible asset backing per ordinary share is computed based on the existing share capital of 1 billion ordinary shares as at 31 March 2002 and 31 March 2001.

4.(a) **Amount of Adjustment for Under-provision of Tax in respect of Previous Years**

The Group's tax charge for the 9 months ended 31 March 2002 included an amount of S\$239,773 and S\$435,184 in respect of FY2000 and FY2001 respectively.

4.(b) **Amount of Pre-Acquisition Profits**

Nil.

4.(c) **Amount of Gain/(Loss) on Sale of Investments**

	S\$'000	S\$'000
	1 Jul 2001 to 31 Mar 2002	1 Jul 2000 to 31 Mar 2001
Realised loss arising from equity investments	-	(20,545)
Realised gain/(loss) arising from fixed income securities	2,476	(324)
<b>Total</b>	<b>2,476</b>	<b>(20,869)</b>

4.(d) **Other Comments Relating to Paragraph 4**

A provision had been made in the first half of FY2002 for estimated surplus leased space as a result of the relocation to SGX Centre.

In the previous period, the exceptional item related to the liquidation of all our equity portfolio.

**5(a) Review of the Performance of the Company and its Subsidiaries**

SGX group's business comprises mainly the Securities Market and Derivatives Market. We present herewith the unaudited financial information for the nine months ended 31 March 2002.

**5(a)(i) Nine Months Results – 9 Months ended 31 March 2002 vs 9 Months ended 31 March 2001**

***Net Profit / Operating Profit***

The group recorded \$39.2 million net profit after tax and minority interests, and \$49.9 million operating profit for the current nine months ended 31 March 2002. This compared to \$36.5 million net profit after tax and minority interests, and \$55.3 million operating profit for the previous corresponding nine months. The lower operating profit for the current nine months includes \$2.9 million operating loss of a newly incorporated subsidiary, Asia Converge Pte Ltd.

***Operating Revenue***

The group generated operating revenue of \$167.6 million for the current nine months, compared to \$162.2 million for the previous corresponding period. The 3.4% increase was mainly attributable to the increase in income from the Securities Market.

Although securities trading value dropped 6.9% to \$103.5 billion in the current nine months, from \$111.2 billion of the previous corresponding period, the trading volume increased by 23.9% to 81.5 billion shares in the period from 65.8 billion shares in the previous corresponding period. Securities clearing fees increased by 3.2% to \$57.1 million from \$55.3 million, mainly due to an increase in volume of non-capped transactions.

Account maintenance and processing fees increased by 5.5% to \$27.2 million in the current nine months from \$25.8 million in the previous corresponding period, mainly reflecting the securities processing income of Asia Converge Pte Ltd during the current period.

Access and terminal fees increased by 8.5% to \$24.0 million in the current nine months from \$22.1 million in the previous corresponding period, mainly due to the monthly SESOPS fee increase from \$400 to \$480 per terminal from 1 October 2001 onward.

Derivatives trading registered record volume on a 11.9% increase to 23.2 million contracts in the current nine months from 20.7 million contracts in the previous corresponding period, largely on higher Eurodollar trading volume. This resulted in 6.8% increase in derivatives clearing fees to \$29.1 million from \$27.3 million.

### ***Operating Costs***

Total operating costs increased by 10.1% to \$117.7 million in the current nine months from \$106.9 million of the previous corresponding period.

The current period figure included \$4.8 million in consolidated non-intercompany expenses of Asia Converge Pte Ltd, which in turn represented 44% of the total operating cost increase between the two nine-month periods.

For the Group as a whole, staff costs increased slightly by 2.9% to \$50.9 million. Occupancy costs and system maintenance costs increased by 17.0% and 11.2% respectively between the periods on our capacity building efforts for long-term growth. Depreciation charges increased by 15.4% mainly due to the new depreciation charges of SGX Centre premises and projects completed during the current nine months.

Other major expenses for the current nine months included \$0.7 million fixed asset write-off on relocation to the new premises at SGX Centre, and \$1.5 million various other expense items incurred by Asia Converge Pte Ltd.

### ***Performance of the Securities Market***

For the nine months ended 31 March 2002, the Securities Market generated \$112.5 million of operating revenue and \$64.4 million of segment profit. This compared to \$109.0 million of operating revenue and \$61.7 million of segment profit for the previous corresponding period.

During the current nine months, the weaker global economy has been adversely impacting the volume in global securities markets, including ours. The market conditions also discouraged new listings, which dropped to 22 in the period from 54 of the previous corresponding period.

As a result of the recent consolidation and merger activities in the local brokerage industry, the number of Securities Market members dropped to 27 as at 31 March 2002 from 35 as at 31 March 2001.

### ***Performance of the Derivatives Market***

For the current nine months, the Derivatives Market generated \$43.8 million of operating revenue and \$9.4 million of segment profit. This compared to \$42.4 million of operating revenue and \$9.2 million of segment profit for the previous corresponding period.

The volume growth in the current nine months was mainly attributable to the active trading in Eurodollar contracts due to increased volatility of interest rates on the actions by the U.S. Federal Reserve Board during the period. Eurodollar trading volume in the current nine months increased 59% to 13.3 million contracts from 8.3 million contracts in the previous corresponding period, and represented 57% of our total derivatives volume for the current period. MSCI Taiwan Index Futures contract trading volume also grew by 11% to 3.1 million contracts in the current nine months compared to 2.8 million contracts in the previous corresponding period. The Euroyen trading volume, in contrast, fell by 60% to 1.8 million contracts on the lower yen interest rate volatility.

On the domestic product front, the Singapore Government Bond Futures contract, which started in June 2001, registered a total trade of 108 thousand contracts for the current nine months. Singapore Dollar Interest Rate Futures contract recorded a total trade of 82 thousand contracts during the current nine months, a marginal increase of 2% over the previous corresponding period. Since its launch on 26 October 2001, Single Stock Futures recorded a total trading volume of 13 thousand contracts up to 31 March 2002. We expect interest in this new product to increase with additional marketing and educational efforts.

Trading volume in our electronic market (ETS) increased by 18.6% to 1.1 million contracts in the current nine months from 965 thousand contracts in the previous corresponding period. This was mainly attributable to business development and marketing efforts on the Singapore equity index and the new Singapore-dollar government bond products.

#### ***Exceptional Item***

A provision of \$7.0 million had been made for estimated surplus leased premises as a result of the relocation to SGX Centre.

The previous corresponding nine months recorded an exceptional loss of \$20.5 million arising from the liquidation of SGX's equity portfolio managed by independent fund managers.

#### ***Investment Performance***

The investment portfolio managed by independent fund managers appreciated by \$5.6 million for the current nine months, compared to appreciation of \$6.8 million for the previous corresponding period. Interest rate reductions, particularly in the first four months of the financial year, were conducive to the fixed income market performance.

Interest from bank deposits amounted to \$3.8 million for the current nine months, \$3.2 million lower than the previous corresponding period, mainly on the lower average deposit balance and lower interest rates.

### ***Balance Sheet***

The Group remained debt-free and its major assets included \$307.7 million placed with independent fund managers, \$234.0 million of cash and cash equivalents, and the SGX Centre premises at net book value of \$213.3 million. The Group's net assets amounted to \$814.1 million as at 31 March 2002, compared to \$818.4 million as at 31 March 2001.

### ***Cash Flow***

The Group had net cash outflow of \$8.5 million for the current nine months. This compared with \$384.1 million net cash outflow for the previous corresponding period, upon the \$330 million placement with independent fund managers, and \$100.9 million payment for the SGX Centre premises during that period.

### ***Contingent Liabilities***

As at 31 March 2002, we had unsecured contingent liabilities to banks for US\$42.0 million of standby letters of credit issued to Chicago Mercantile Exchange. These standby letters of credit provided guarantees as margin for the open positions of our clearing members, and were in turn supported by the margin funds placed with us by the latter.



**5(a)(ii) Quarterly Results – 3 Months ended 31 March 2002 vs 3 Months ended 31 December 2001**

***Group Financial Highlights – 3Q FY2002 vs 2Q FY2002***

(S\$'000)	<u>3Q FY2002</u>	<u>2Q FY2002</u>
<b>Operating Revenue</b>		
Clearing and Related Income	36,384	26,026
Access & Terminal Fees	8,211	8,348
Account Maintenance & Processing Fees	10,430	8,686
Listing & Membership Fees	3,956	4,169
Price Information Fees	2,825	3,134
Sale of Software & Other Computer Services	1,720	1,944
Other Operating Revenue	1,356	1,807
	<u>64,882</u>	<u>54,114</u>
Investment Income	(1,965)	2,227
Other income including interest income	823 ✓	1,560
Profit before income tax, minority interests, extraordinary items, interest on borrowings, depreciation and amortisation, foreign exchange gain/(loss) and exceptional items and after charging:-	29,154	23,899
Staff Costs	(17,850)	(17,424)
Occupancy Costs	(4,572)	(4,440)
System Maintenance & Rental	(4,857)	(4,943)
Other Operating Expenses	(7,308)	(7,195)
Interest on borrowings	-	-
Depreciation and amortisation	(6,719) ✓	(5,779)
Foreign exchange gain/(loss)	(54) ✓	447
Exceptional item	-	(7,000)
Profit before income tax, minority interests and extraordinary items but after interest on borrowings, depreciation and amortisation, foreign exchange gain/(loss) and exceptional item	22,380	11,567
Share of losses of joint venture	(83)	(7)
Less Income Tax	(5,164)	(5,250)
Profit After Tax before deducting minority interests	17,133	6,310
Minority Interests	313	918
Profit After Tax and Minority Interests	17,446	7,228

### ***Net Profit / Operating Profit***

The group recorded \$17.4 million net profit after tax and minority interests, and \$23.5 million operating profit for the third quarter ended 31 March 2002. This compared to \$7.2 million net profit after tax and minority interests, and \$14.8 million operating profit for the second quarter ended 31 December 2001.

### ***Operating Revenue***

The group generated operating revenue of \$64.9 million for the third quarter, compared to \$54.1 million for the second quarter. The 19.9% increase was mainly attributable to the increase in income from the Securities Market.

Securities trading value increased 37% to \$41.9 billion in the third quarter from \$30.5 billion in the second quarter; securities clearing fee increased 58.3% to \$26.2 million in the third quarter from \$16.6 million in the second quarter. IPO listings increased from 6 to 8 in the third quarter.

Derivatives clearing fees, which is net of rebates, increased 7.4% to \$10.2 million in the third quarter from \$9.5 million in the second quarter, mainly due to lower rebates on 7.3% decrease in trading volume to 7.3 million contracts from 7.9 million contracts between the two periods.

### ***Operating Costs***

Total operating costs increased by 5.1% to \$41.4 million from \$39.3 million between the two quarters. The 16.3% increase in depreciation charges was comprised of depreciation charges on SGX Centre premises and capitalized projects completed in late second quarter.

### ***Segment Performance***

The Securities Market generated \$44.7 million of operating revenue and \$26.7 million of segment profit for the third quarter, compared to \$36.1 million of operating revenue and \$20.4 million of segment profit for the second quarter.

The Derivatives Market generated \$15.0 million of operating revenue and \$3.1 million of segment profit for the third quarter, compared to \$14.6 million of operating revenue and \$2.6 million of segment profit for the second quarter.

### ***Exceptional Item***

A provision of \$7.0 million was made in the second quarter for estimated surplus leased premises as a result of the relocation to SGX Centre.

### ***Investment Performance***

The investments placed with fund managers depreciated by \$2.2 million in the third quarter, compared to appreciation of \$2.2 million in the second quarter.

The \$0.7 million interest from bank deposits for the third quarter was \$0.6 million lower than that of the second quarter due to lower average deposit balance and lower interest rates.

### **5(b) Unusual Items After the Financial Period**

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the period between 31 March 2002 and the date of this report, which would affect substantially the results of the operations of the Company and the Group for the current nine months.

### **6 Current Year Prospects And Initiatives**

Our operating revenue is primarily dependent on the level of activity on our exchange, including the volume and value of the securities and derivatives contracts traded. Other factors such as the number of and market capitalization of listed entities, and the number of new listings also affect our revenue.

Global equity market conditions remain uncertain since our half year result announcement. However, we are not aware of any business factors, other than those disclosed in this announcement, that will have a substantially adverse impact on the Group's business performance.

We highlight below our business initiatives and the corresponding time frame on a calendar year basis.

#### **6(a) 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 are currently developing the capability to support the trading-only membership.

To ensure that our listing requirements suit market needs and practices, we have conducted a comprehensive review of our listing manual, and have completed the public consultation process. The proposed amendments have been approved by the relevant authorities.

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

(i) ***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. We 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.

(ii) ***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 streetTRACKS<sup>SM</sup> Straits Times Index Fund, was listed on SGX on 17 April 2002. This product was jointly developed by SGX and State Street Global Advisors.

(iii) ***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 1,000 participants registered to lend about 488 million shares of 188 eligible securities valued above \$837 million in total.

We continued 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 the flexibility on 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.

(iv) ***Straight Through Processing***

We are developing 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 invited them to provide feedback on the design. After considering the feedback, we will then issue the technical specifications for technology vendors to submit their infrastructure development proposals.

(v) ***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.

(vi) ***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 March 2002, SGX and TSE agreed to extend the HOA by another 120 days to facilitate further discussions between the two exchanges.

(vii) ***Real-time Market Data Feed***

We have developed a multi-level data feed dissemination system, SGX SecuritiesBook. To be launched on 1 July 2002, the system will allow 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.

**6(b) 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.

**(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;
- 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.

**(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, 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 a true 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 will be launching the MSCI Japan Index Futures Contract on 15 May 2002, which will complement 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. This product will be traded exclusively on ETS.

We are actively marketing this product to potential market makers, especially market makers from Tokyo.

(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 scheduled for launching during the third quarter of 2002, will follow similar contract specifications as the successful TOCOM MECO futures contract. 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.

6(c) ***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 processing – from order entry to order management, trade enrichment, settlement, and custody, and will be offered on a modular basis.

We 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.

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 proven, scalable and multi-broker. To assure processing quality, 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.

**6(d) 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.

This is the first step towards exploring the available options for a technology infrastructure that will consolidate our various clearing and trading platforms, which will, in turn, allow us to maximize the synergies of SGX's integrated derivatives and securities markets.

## **Dividend**

### *Latest Period*

Name of Dividend	Interim - Please refer to 7(a) below
Dividend Type	Cash
Dividend Rate	300 % per ordinary share less tax
Par value of shares	S\$0.01
Tax Rate	24.5%

### *Previous Corresponding Period*

Name of Dividend	Interim - Please refer to 7(b) below
Dividend Type	Cash
Dividend Rate	300 % per ordinary share less tax
Par value of shares	S\$0.01
Tax Rate	24.5%

7.(a) *9 months ended 31 March 2002*

In February 2002, we declared gross interim dividend of S\$0.03 per share for the half year ended 31 December 2001. In March 2002, the dividend was paid at S\$0.02265 per share net of 24.5% tax.

7.(b) *9 months ended 31 March 2001*

In February 2001, we declared gross interim dividend of S\$0.03 per share for the half year ended 31 December 2000. In March 2001, the dividend was paid at S\$0.02265 per share net of 24.5% tax.

7.(c) *Date payable*

N/A

7.(d) *Books Closing Date*

N/A

7.(e) *Any other comments relating to Paragraph 7*

For the fiscal year ending 30 June 2002, the Directors expect to declare and pay annual dividends of not less than 50% of the annual net profit after tax and after contribution, if any, to the fidelity funds. However, the declaration and payment of any dividends, and the timing and amount of any dividends, is subject to the discretion of the Directors. Any future determination by the Directors to pay dividends will be based upon the Group's earnings, cash flow, financial condition and capital requirements and other conditions the Directors deem relevant.

8. **Details of Changes in the Company's Issued Share Capital**

Nil.

9. **Comparative Figures of the Group's Borrowings and Debt Securities**

	As at 31/3/2002		As at 31/3/2001	
	Secured	Unsecured	Secured	Unsecured
9.(a) Amount repayable in one year or less, or on demand	Nil	Nil	Nil	Nil
9.(b) Amount repayable after one year	Nil	Nil	Nil	Nil
9.(c) Any other comments relating to Paragraph 9	Nil.			

10.(a) **Balance Sheets**

	<b>Group</b>		<b>Company</b>	
	<b>As at 31 Mar 02</b>	<b>As at 31 Mar 01</b>	<b>As at 31 Mar 02</b>	<b>As at 31 Mar 01</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Current assets</b>				
Cash and cash equivalents	222,252	217,306	4,158	60,454
Trade and other debtors	322,032	407,300	36,834	44,525
Derivatives margin funds	1,657,359	1,521,978	-	-
Securities clearing funds	34,594	34,129	-	-
Investments	325,866	332,442	307,702	301,952
	<b>2,562,103</b>	<b>2,513,155</b>	<b>348,694</b>	<b>406,931</b>
<b>Non-current assets</b>				
Property, plant and equipment	288,319	251,764	49,595	36,775
Club memberships, at cost	728	728	728	728
Subsidiaries	-	-	392,340	391,340
	<b>289,047</b>	<b>252,492</b>	<b>442,663</b>	<b>428,843</b>
Net assets of securities and derivatives fidelity funds	51,730	50,986	-	-
<b>Total assets</b>	<b>2,902,880</b>	<b>2,816,633</b>	<b>791,357</b>	<b>835,774</b>
<b>Current liabilities</b>				
Trade and other creditors	337,389	396,953	12,500	12,872
Derivatives margin funds	1,657,359	1,521,978	-	-
Securities clearing members' contributions to clearing funds	9,594	9,129	-	-
Provision for surplus leased premises	1,600	-	1,600	-
Taxation	21,910	15,638	2,317	378
	<b>2,027,852</b>	<b>1,943,698</b>	<b>16,417</b>	<b>13,250</b>
<b>Non-current liabilities</b>				
Provision for surplus leased premises	5,400	-	5,400	-
Deferred taxation	1,679	3,552	-	-
	<b>7,079</b>	<b>3,552</b>	<b>5,400</b>	<b>-</b>
<b>Total liabilities</b>	<b>2,034,931</b>	<b>1,947,250</b>	<b>21,817</b>	<b>13,250</b>
<b>Net assets</b>	<b>867,949</b>	<b>869,383</b>	<b>769,540</b>	<b>822,524</b>
<b>Equity</b>				
Share capital	10,000	10,000	10,000	10,000
Share premium	305,537	305,537	305,537	305,537
Retained profits and general reserve	474,428	477,835	454,003	506,987
Clearing fund reserve	25,000	25,000	-	-
Hedging reserve	(928)	-	-	-
Translation reserve	31	25	-	-
Share capital and reserves	<b>814,068</b>	<b>818,397</b>	<b>769,540</b>	<b>822,524</b>
<b>Minority interests</b>	<b>2,151</b>	<b>-</b>	<b>-</b>	<b>-</b>
Accumulated funds of securities and derivatives fidelity funds	51,730	50,986	-	-
	<b>867,949</b>	<b>869,383</b>	<b>769,540</b>	<b>822,524</b>

10.(b) Changes in Equity

(i) Consolidated statement of changes in equity for the 9 months ended 31 March 2002

	Share capital	Share premium *	Retained profits and general reserve	Clearing fund reserve *	Hedging reserve *	Translation reserve *	Proposed dividends	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2001</b>								
- as previously reported	10,000	305,537	457,912	25,000	-	28	-	798,477
- effect of adopting SAS 31	-	-	-	-	-	-	32,465	32,465
- effect of adopting SAS 33	-	-	-	-	(1,755)	-	-	(1,755)
- as restated	10,000	305,537	457,912	25,000	(1,755)	28	32,465	829,187
Gain/(Loss) on hedging								
- unrealised	-	-	-	-	499	-	-	499
- transfer to profit and loss	-	-	(328)	-	328	-	-	-
Net profit before realisation of hedging reserve	-	-	39,494	-	-	-	-	39,494
Net profit for the financial period	-	-	39,166	-	827	-	-	39,993
Currency translation differences recognised directly in shareholders' equity	-	-	-	-	-	3	-	3
Total recognised gains for the financial period	-	-	39,166	-	827	3	-	39,996
Final dividends - FY2001	-	-	-	-	-	-	(32,465)	(32,465)
Interim dividends - FY2002	-	-	(22,650)	-	-	-	-	(22,650)
<b>Balance at 31 March 2002</b>	<b>10,000</b>	<b>305,537</b>	<b>474,428</b>	<b>25,000</b>	<b>(928)</b>	<b>31</b>	<b>-</b>	<b>814,068</b>

(ii) Consolidated statement of changes in equity for the 9 months ended 31 March 2001

	Share capital	Share premium *	Retained profits and general reserve	Clearing fund reserve *	Hedging reserve *	Translation reserve *	Proposed dividends	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2000</b>	62	308,278	464,001	25,000	-	17	-	797,358
Net profit - total recognised gains for the financial period	-	-	36,484	-	-	-	-	36,484
Currency translation differences recognised directly in shareholders' equity	-	-	-	-	-	8	-	8
Bonus issue of ordinary shares	2,741	(2,741)	-	-	-	-	-	-
Issue of ordinary share capital	7,197	-	-	-	-	-	-	7,197
Interim dividends - FY2001	-	-	(22,650)	-	-	-	-	(22,650)
<b>Balance at 31 March 2001</b>	<b>10,000</b>	<b>305,537</b>	<b>477,835</b>	<b>25,000</b>	<b>-</b>	<b>25</b>	<b>-</b>	<b>818,397</b>

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

## (iii) Statement of changes in equity for the 9 months ended 31 March 2002 - Company

	Share capital	Share premium *	Retained profits and general reserve	Clearing fund reserve *	Hedging reserve *	Translation reserve *	Proposed dividends	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2001</b>								
- as previously reported	10,000	305,537	477,349	-	-	-	-	792,886
- effect of adopting SAS 31	-	-	-	-	-	-	32,465	32,465
- as restated	10,000	305,537	477,349	-	-	-	32,465	825,351
Net loss - total recognised losses for the financial period	-	-	(696)	-	-	-	-	(696)
Final dividends - FY2001	-	-	-	-	-	-	(32,465)	(32,465)
Interim dividends - FY2002	-	-	(22,650)	-	-	-	-	(22,650)
<b>Balance at 31 March 2002</b>	<b>10,000</b>	<b>305,537</b>	<b>454,003</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>769,540</b>

## (iv) Statement of changes in equity for the 9 months ended 31 March 2001 - Company

	Share capital	Share premium *	Retained profits and general reserve	Clearing fund reserve *	Hedging reserve *	Translation reserve *	Proposed dividends	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2000</b>	62	308,278	455,529	-	-	-	-	763,869
Net profit - total recognised gains for the financial period	-	-	74,108	-	-	-	-	74,108
Bonus issue of ordinary shares	2,741	(2,741)	-	-	-	-	-	-
Issue of ordinary share capital	7,197	-	-	-	-	-	-	7,197
Interim dividends - FY2001	-	-	(22,650)	-	-	-	-	(22,650)
<b>Balance at 31 March 2001</b>	<b>10,000</b>	<b>305,537</b>	<b>506,987</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>822,524</b>

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

10.(c) **Consolidated Cash Flow Statement**

	<b>9 Months Ended</b>	
	<b>31 Mar 02</b>	<b>31 Mar 01</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax and share of results of joint venture	53,350	50,642
Adjustments for:		
Depreciation	16,903	14,643
Provision for surplus leased premises	7,000	-
Net (gain)/loss on revaluation of investments	(5,405)	13,264
Write-off of fixed assets	1,048	-
Interest income	(4,522)	(7,855)
Operating cash flow before working capital change	68,374	70,694
Change in operating assets and liabilities		
Trade and other receivables	4,852	(38,406)
Trade and other payables	(15,006)	44,195
Cash generated from operations	58,220	76,483
Income tax paid	(16,913)	(36,058)
Dividends paid	(55,115)	(22,650)
<b>Net cash from operating activities</b>	<b>(13,808)</b>	<b>17,775</b>
<b>Cash flows from investing activities</b>		
Payments for properties under development	-	(100,864)
Payments for property, plant and equipment	(22,533)	(12,708)
Purchase of investments	-	(330,000)
Interest received	7,124	12,410
Redemption of investments	10,187	22,000
Fixed assets claimed under FSDF	6,640	113
<b>Net cash used in investing activities</b>	<b>1,418</b>	<b>(409,049)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares	-	7,197
Contributions from minority interests	3,920	-
<b>Net cash from financing activities</b>	<b>3,920</b>	<b>7,197</b>
<b>Decrease in cash and cash equivalents held</b>	<b>(8,470)</b>	<b>(384,077)</b>
Cash and cash equivalents at the beginning of the period	230,719	601,375
Effects of exchange rate changes on cash and cash equivalents	3	8
<b>Cash and cash equivalents at the end of the period</b>	<b>222,252</b>	<b>217,306</b>

10.(d) **Segment Information for the 9 months ended 31 March 2002**

	<b>Securities Market</b>	<b>Derivatives Market</b>	<b>Other Operations</b>	<b>The Group</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>SEGMENT REVENUE</b>				
External revenue	112,534	43,786	11,329	167,649
Inter-segment revenue	638	1,404	58,914	60,956
	113,172	45,190	70,243	228,605
Less: Consolidation elimination	(638)	(1,404)	(58,914)	(60,956)
	112,534	43,786	11,329	167,649
<b>RESULTS</b>				
Segment results	64,376	9,375	1,071	74,822
Unallocated costs				(31,875)
Operating profit before tax				42,947
Interest income and other non-operating income				10,403
Share of losses of joint venture	(114)	-	-	(114)
Income taxes				(15,839)
Minority interests				1,769
Net profit				39,166
<b>OTHER INFORMATION</b>				
Segment assets	699,713	1,875,314	17,682	2,592,709
Unallocated assets				310,171
Consolidated total assets				2,902,880
Segment liabilities	313,534	1,672,924	5,165	1,991,623
Unallocated liabilities				43,308
Consolidated total liabilities				2,034,931
Capital expenditure				
- Allocated	4,722	936	3,984	9,642
- Unallocated				18,860
				28,502
Depreciation				
- Allocated	5,870	3,668	467	10,005
- Unallocated				6,898
				16,903



10.(d) **Segment Information for the 9 months ended 31 March 2001**

	<b>Securities Market</b>	<b>Derivatives Market</b>	<b>Other Operations</b>	<b>The Group</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>SEGMENT REVENUE</b>				
External revenue	109,021	42,352	10,815	162,188
Inter-segment revenue	26	969	137,886	138,881
	109,047	43,321	148,701	301,069
Less: Consolidation elimination	(26)	(969)	(137,886)	(138,881)
	109,021	42,352	10,815	162,188
<b>RESULTS</b>				
Segment results	61,718	9,154	4,541	75,413
Unallocated costs				(20,087)
Operating profit before tax				55,326
Interest income and other non-operating loss				(4,684)
Income taxes				(14,158)
Net Profit				36,484
<b>OTHER INFORMATION</b>				
Segment assets	711,234	1,737,655	8,556	2,457,445
Unallocated assets				359,188
Consolidated total assets				2,816,633
Segment liabilities	379,055	1,533,613	2,523	1,915,191
Unallocated liabilities				32,059
Consolidated total liabilities				1,947,250
Capital expenditure				
- Properties under development	60,215	40,649	-	100,864
- Allocated	5,672	943	180	6,795
- Unallocated				5,800
				113,459
Depreciation				
- Allocated	5,390	4,041	72	9,503
- Unallocated				5,140
				14,643

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

**BY ORDER OF THE BOARD**

Joyce Fong  
Company Secretary  
10 May 2002