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**NEWS RELEASE**

**SGX Announces FY2002 Third Quarter Results**

Singapore Exchange Limited (SGX) today announced its unaudited third quarter financial results for the fiscal year 2002.

SGX Group recorded total operating revenue of S\$167.6m and operating expenses of S\$117.7m for the nine months ended 31 March 2002. Net profit after tax and minority interests for the period amounted to S\$39.2m.

Both SGX's securities and derivatives markets increased their revenue contributions, generating operating revenue of S\$112.5m and S\$43.8m respectively. SGX's other operations generated operating revenue of S\$11.3m.

Commenting on the results, SGX CEO, Thomas Kloet said, "During the quarter ended 31 March 2002, our securities market experienced strong volume growth compared to the previous quarter despite an uncertain global economic climate. Our derivatives market also continued to perform well. We continued to push ahead with our efforts to build a more vibrant and sophisticated capital market. Responding to customer needs and creating value with innovative products, services and distribution channels are consistent with our commitment to grow our markets."

**Highlights of FY2002 Nine Months Results – 1 July 2001 to 31 March 2002**

<b>S\$m</b>	<b>9 Months FY2002</b>	<b>9 Months FY2001</b>
Operating revenue	167.6	162.2
Operating expenses	(117.7)	(106.9)
<b>Operating profit</b>	<b>49.9</b>	<b>55.3</b>
Non-operating revenue	10.3	15.9
Exceptional items	(7.0)	(20.5)
<b>Profit before tax and minority interests</b>	<b>53.2</b>	<b>50.7</b>
Tax	(15.8)	(14.2)
Minority interests	1.8	-
<b>Net profit after tax attributable to shareholders</b>	<b>39.2</b>	<b>36.5</b>
Basic earnings per share	3.92 cents	4.82 cents

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

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For more information, please contact:

Anderson Tang	Head, Finance & Administration Division	Tel: 62368805
John Gollifer	Head, Corporate Strategy & Marketing Division	Tel: 62368724
Raymond Chow	Head, Corporate Communications	Tel: 62368135
Maureen Goh	Corporate Communications (Investor Relations)	Tel: 62368134
Tiffany Ho	Corporate Communications (Investor Relations)	Tel: 62368822

## 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 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.

**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.

### **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.

### **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.

**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](http://www.sgx.com)