AMENDMENTS TO THE QUARTERLY REPORTING FRAMEWORK

AMENDMENTS TO CATALIST RULES

Legend: Deletions are struck-through and insertions are underlined.

Chapter 3 Disciplinary and Appeals Procedures, and Enforcement Powers of the Exchange

305

(1) The Exchange may exercise administrative powers for the purposes of ensuring that the market is fair, orderly and transparent, and that the Exchange does not act contrary to the interests of the investing public, including the powers to:

(a) issue public queries to an issuer;

(b) require an issuer to make specified disclosures;

(ba) require any Relevant Person to provide information, documents or electronic records to the Exchange;

309

(1) Any Relevant Person, or the sponsor's directors, executive officers, employees or agents complying with a request for information, documents or electronic records from the Exchange ~~made under Rule 308~~ shall take due care to ensure that such information, documents or electronic records provided to the Exchange are complete and not false or misleading in any material particular.

(2) Any Relevant Person, or the sponsor's directors, executive officers, employees or agents ~~complying with a request made under Rule 308~~ shall not wilfully make, furnish, authorize, or permit the giving of incomplete, false or misleading information, documents or electronic records to the Exchange.

Chapter 7 Continuing Obligation

704

In addition to Rule 703, an issuer must immediately announce the following:

(4) Any adverse opinion, disclaimer of opinion, qualified opinion ~~qualification~~ or emphasis of a matter (including a material uncertainty relating to going concern) by the auditors on the financial statements of:

(a) the issuer; or

(b) any of the issuer's subsidiaries or associated companies, if the adverse opinion, disclaimer of opinion, qualified opinion ~~qualification~~ or emphasis of a matter has a material impact on the issuer's consolidated accounts or the group's financial position.

(24) After the end of each of the first three quarters of its financial year, half year or financial year, as the case may be, an issuer must not announce any:-

(d) capital return; or

(e) passing of a dividend~~,; or~~

(f) ~~sales or turnover~~[Deleted]

unless it is accompanied by the ~~results of~~ financial statements for the quarter, half year or financial year (as set out in Appendix 7C), as the case may be, or the ~~results~~ financial statements (as set out in Appendix 7C) have been announced.

705

(1) An issuer must announce the financial statements for the full financial year (as set out in Appendix 7C) immediately after the figures are available, but in any event not later than 60 days after the relevant financial period.

(2) An issuer must announce its financial statements for each of the first three quarters of its financial year (as set out in Appendix 7C) immediately after the figures are available, but in any event not later than 45 days after the quarter end if:

(a) ~~its market capitalisation exceeded S$75 million as at 31 March 2003;~~[Deleted]

(b) ~~it was listed after 31 March 2003 and its market capitalisation exceeded S$75 million at the time of listing (based on the initial public offering issue price); or~~[Deleted]

(c) ~~its market capitalisation is S$75 million or higher on the last trading day of each calendar year, commencing from 31 December 2006. An issuer who falls within this category for the first time, will have an initial grace period of one year to prepare to meet the requirements in Rule 705(2).~~[Deleted]

(d) its auditors have issued an adverse opinion, a qualified opinion or disclaimer of opinion on the issuer's latest financial statements; or

(e) its auditors have stated that a material uncertainty relating to going concern exists in the issuer's latest financial statements.

(2A)

Unless otherwise determined by the Exchange, an issuer that is required to announce its financial statements under Rule 705(2) will have a grace period of one year to comply with the requirement, such grace period commencing on the date on which the condition in Rule 705(2) is met. An issuer must continue to comply with Rule 705(2) for so long as any condition in Rule 705(2) is met.

(2B)

Rule 705(2) will not apply to an issuer if:-

(a) it is undergoing judicial management, winding up or provisional liquidation; or

(b) its assets consist wholly or substantially of cash or short dated securities as referred to in Rule 1017.

(2C)

An issuer that is required by the Exchange to announce its quarterly financial statements must prominently include a statement on the cover page of its announcement of its quarterly financial statements that such an announcement is pursuant to an Exchange requirement.

(3)

(a) ~~An issuer who falls within any of the categories in this Rule 705(2), must comply with the requirements in Rule 705(2), even if its market capitalisation subsequently decreases below S$75 million.~~[Deleted]

(b) An issuer that is not required to comply with ~~whose market capitalisation does not exceed $75 million~~ Rule 705(2) may either:

(i) announce the financial statements for each of the first three quarters of its financial year (as set out in Appendix 7C); or

(ii) ~~must~~ announce its first half financial statements (as set out in Appendix 7C),

in each case immediately after the figures are available, but in any event not later than 45 days after the relevant financial period.

If an issuer that is not required to comply with Rule 705(2) announces its quarterly financial statements in a format other than as set out in Appendix 7C, it must comply with Rule 705(3)(b)(ii).

Chapter 10 Acquisitions and Realisations

1002

Unless the context otherwise requires:-

(3)

(c) the net asset and net profit figures used for comparison with the transaction(s) under consideration will be taken from the latest announced consolidated accounts (as set out in Appendix 7C). The Exchange may allow the issuer's net asset value or net profit to be adjusted to take into account any transaction(s) completed subsequent to the latest announced consolidated accounts provided that adequate information about such transaction(s) has already been announced to shareholders.

Chapter 12 Circulars, Annual Reports and Electronic Communications

1204

The annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including at least the following:

(19) A statement whether and how the issuer has complied with the following best practices on dealings in securities:

(c) A listed issuer and its officers should not deal in the listed issuer's securities during the period commencing two weeks before the announcement of the company financial statements for each of the first three quarters of its financial year and one month before the announcement of the company's full year financial statements (if ~~required to announce~~the issuer announces its quarterly financial statements, whether required by the Exchange or otherwise), or one month before the announcement of the company's half year and full year financial statements (if the issuer does not announce its quarterly financial statements)~~(if not required to announce quarterly financial statements)~~.

Appendix 7A Corporate Disclosure Policy

Part IX Content and Preparation of Public Announcement

27 The content of a press release or other public announcement is as important as its timing. Each announcement should:—

(c) be balanced and fair. Thus, the announcement should avoid:—

(iv) negative statements phrased to create a positive implication, for example, "The company cannot now predict whether the development will have a materially favourable effect on its earnings," (implying that the effect will be favourable even if not materially favourable), or "The company expects that the development will not have a materially favourable effect on earnings in the immediate future," (implying that the development will eventually have a materially favourable effect); ~~and~~

(v) use of promotional jargon calculated to excite rather than to inform; and

(vi) in periodic updates on performance, selective presentation of information without sufficient comparability across periods. For example, a company should not publish performance measures that are inconsistent across periods to highlight favourable performance or omit poor performance in selected periods;

Appendix 7C Financial Statements and Dividend Announcement

Part I Information Required for Quarterly (Q1, Q2 & Q3), Half-Year and Full Year Announcements

3. Where the figures have been audited or reviewed, the auditors' report (including any modifications ~~qualifications~~ or emphasis of a matter).

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Practice Note 7A Continuing Disclosure

~~Part I:~~ 1. Introduction

1.1 This Practice Note provides guidance on the continuing obligations of issuers in respect of Listing Rule 703 on the disclosure of material information and Appendix 7A on the Exchange's Corporate Disclosure Policy. Issuers should apply the principles outlined in the Practice Note flexibly and sensibly. Issuers are still obliged to make their own judgments when determining whether a particular piece of information is material and requires disclosure. The purpose of timely disclosure of material information is to allow the operation of a fair, orderly and transparent market. The following discussion should be read in that light.

1.2. Issuers should consult with their sponsors with respect to the application of the rules.

1.3. In case of doubt, sponsors must consult the Exchange.

2. Interaction with the SFA

2.1 The Exchange's continuous disclosure rules are given statutory backing under Section 203 of the SFA. A breach of the Exchange's continuous disclosure obligations may be considered an offence under the SFA and may have serious legal consequences for the issuer and its officers.

3. Guidance on what constitutes material information

3.1 Rule 703(1) requires an issuer to announce any information known to the issuer concerning it or any of its subsidiaries or associated companies which:

(a) is necessary to avoid the establishment of a false market in the issuer's securities (Rule 703(1)(a)). Appendix 7A explains that a false market may exist if information is not made available that would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, or buy or sell the securities. Such information may be referred to as "trade-sensitive" information; or

(b) would be likely to materially affect the price or value of the issuer's securities (Rule 703(1)(b)). Information would be likely to have such material price impact if it is likely to prompt a significant change in the price or value of the issuer's securities. Such information may be referred to as "materially price-sensitive" information.

3.2 Information is considered material and required to be disclosed under Rule 703(1) as long as it is either trade-sensitive or materially price-sensitive. Issuers must exercise judgment when deciding whether information is material using both these tests. If an issuer is unable to ascertain whether the information is material, the recommended course of action is to announce the information via SGXNET.

Materially price-sensitive information

3.3 The test of whether information is materially price-sensitive is an objective one. Issuers must assess, on an ex-ante basis, if the information is likely to have a material impact to the price of its securities. It requires issuers to foresee how investors will react to any particular information when it is disclosed.

3.4 Issuers' assessment should consider the significance of the information in the context of the issuer's business. Information that might be immaterial to another entity may be material to the issuer, as the impact to the issuer would depend on its business and market expectations of the issuer's performance. Issuers should therefore rely on experience and knowledge of past market impact of similar type of disclosures made under comparable circumstances to form their assessment.

3.5 Issuers should also consider prevailing market conditions in their assessment of price impact. Factors to be considered could include liquidity of the issuer's securities, macroeconomic or sector-specific factors and the general market sentiment. Information that might be considered immaterial during stable macroeconomic and industry conditions but could

become material when the industry is undergoing extreme volatility or a protracted down-cycle.

3.6 For the purposes of assessing if a breach of Rule 703(1)(b) has occurred, the Exchange will examine actual market reaction to the information when it is disclosed. If information that is disclosed does not result in a significant change in price of the securities, then it is likely that the information may not be considered to be materially price-sensitive. The Exchange may examine market reaction over a length of time suitable for the liquidity of the securities. For example, if the securities are not actively traded, it may be necessary to look at a longer period of activity.

Trade-sensitive information

3.7 The test for trade-sensitive information does not focus on the potential price impact of information, but rather the likelihood that the omission or failure to disclose such information will result in the market trading on an uninformed basis. Such information must be disclosed to avoid the establishment of a false market in the securities. As set out in the Corporate Disclosure Policy in Appendix 7A, a false market may exist if information is not made available that would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, or buy or sell the securities.

3.8 The test of whether information is trade-sensitive is also an objective one. The question to ask is, is the information expected to influence an investor who commonly invests in securities to subscribe for, or buy or sell the issuer's securities in reliance of that information, if it had been known beforehand? If so, the information is trade-sensitive.

3.9 The term "persons who commonly invest" is defined in Section 214 of the SFA. MAS has also issued guidelines on the interpretation of the term, which set out that the class of investors that are considered "persons who commonly invest" will be product-specific, and will include retail investors for listed shares. The Exchange will employ the same definition and interpretation for the purposes of the Listing Rules.

3.10 For practical purposes, information which is materially price-sensitive would likely also be trade-sensitive. If information has a material price impact, it would also influence investors in their investment decisions. However, trade-sensitive information need not necessarily have a material price impact. For example, information on a transaction may have a neutral effect on share price, but may be considered to be trade-sensitive if the transaction is material to the issuer and likely to influence investors' decision to invest in the securities.

3.11 Therefore, the Exchange's assessment of whether information is trade-sensitive is broader than that for materially price-sensitive information. The test for trade-sensitive information assesses the likelihood that the information, if undisclosed, will cause investors to trade on an uninformed basis. In that regard, the Exchange may consider information to be trade-sensitive, even if there is no significant market reaction to the information when disclosed.

3.12 Issuers should make their own judgment on whether information would be trade-sensitive. In particular, an issuer should consider whether a person who commonly invests in that security would likely trade in the security in reliance of that piece of information. As with the test for materially price-sensitive information, which requires issuers to assess the impact of the information to the price of the issuer's securities, issuers should review the information in the

context of the issuer's business as well as prevailing market conditions in making their assessment.

4. Exceptions to Rule 703(3)

4.1 Rule 703(3) allows exception from disclosure provided that three conditions are met. These conditions are that (a) a reasonable person would not expect information to be disclosed, (b) the information is confidential and (c) the information either (i) concerns an incomplete proposal or negotiation, (ii) comprises matters of supposition or is insufficiently definite to warrant disclosure, (iii) is generated for internal management purposes, or (iv) is a trade secret. Information should be disclosed if any one of the three conditions is not satisfied.

Confidential information

4.2 Where material, non-public information has been reported but not released via SGXNET, the Exchange will require clarification from an issuer to ensure that the market is trading on accurate information. If information has been reported in a reasonably specific manner or from a reliable identified source, the Exchange is likely to consider that the information is no longer confidential. For example, should the report contain the salient terms of a contract or the information has been attributed to the issuer or a reliable source, this indicates that there may have been a leakage of material information. Leakage of material information would result in a loss of confidentiality and thus an issuer can no longer rely on the confidentiality exemption under Rule 703(3).

4.3 An issuer is required to announce any material, non-public information that has leaked to the market even though it was covered by the exemptions in Rule 703(3) (for example, regardless of whether the transaction is still undergoing negotiation). This is regardless of the issuer's original intentions to keep the information confidential. It is therefore important for issuers to put in place strong safeguards to preserve confidentiality of its information. If the issuer is not ready to confirm the information that was leaked or there is too much uncertainty (for example, if the transaction is undergoing negotiation), the issuer should release a holding statement to sufficiently explain its position.

4.4 If an issuer is of the view that there has been no leak, but there is unusual market activity that could be attributable to the report, the issuer should release a statement to provide clarity on the actual situation and deny or confirm the matters in the report, even if the statement may be a reiteration of information previously announced. Where there are no media reports, but unusual market activity is observed, the issuer should undertake a review to seek the causes of the unusual market activity and take action as set out in paragraph 22 of Appendix 7A. The issuer should also respond promptly to any queries made by the Exchange concerning the unusual trading activity. Failing which, the Exchange may suspend the issuer's securities from trading.

Positive example:

The Exchange issued a query to an issuer due to unusual market activity observed on the issuer's securities.

The issuer requested a trading halt on the same day, and responded that it had received a non-binding proposal from a third party who had expressed interest to purchase certain businesses of the issuer and was currently in discussions with the

third party. The issuer also clarified that as at the date of the announcement, no binding offer has been made and no definitive agreements have been entered into in relation to any merger and acquisition, joint venture or strategic alliance opportunity.

Upon the subsequent confirmation of the transaction, the issuer followed up with another announcement that it had entered into a conditional share purchase agreement for the sale of a certain part of its business to a third party.

4.5 An issuer must not agree to a confidentiality clause with any other parties, for example as part of contractual terms, which may result in it not being able to comply with the continuous disclosure rules in the Listing Manual. If the test for disclosure under Rule 703 is otherwise met (for example, the entering into of a material agreement), the Exchange will expect the information to be disclosed notwithstanding that the information is confidential or that the issuer has signed a non-disclosure agreement. This requirement does not apply if Rule 703(2) applies.

Rumours or speculation

4.6 The Exchange generally does not expect issuers to respond to rumours or speculation (including reports predicting future sales, earnings or other data) unless there is a price or volume movement in the market. However, an issuer is expected to clarify the position if the information contained in the report or rumour is reasonably specific to suggest that the information came from an insider or a reliable source. For example, if there are media reports setting out material allegations involving an issuer or its business, its Board or its management, the issuer should, where necessary, request a trading halt and promptly release an announcement to clarify its position.

Information concerns an incomplete proposal or negotiation

4.7 Information that concerns an incomplete proposal or negotiation is excluded on the basis that the likelihood of such agreements proceeding is low or uncertain. Issuers cannot rely on this exception for material developments or arrangements where commitments to or from the issuer have already been made, even if there are expected to be subsequent developments that may change the potential impact.

4.8 For example, if a material transaction is subject to conditions precedent, the issuer must make prompt disclosure when commitment to undertake the transaction is made, even if the conditions precedent have yet to be satisfied. If and when there is subsequent development, issuers should then provide further updates to the market.

4.9 As another example, the service or receipt of a letter of demand or the commencement of a lawsuit may require disclosure if the amount or action claimed otherwise has a material impact, notwithstanding that negotiations on the letter of demand may be ongoing or the outcome of the lawsuit is not yet known. This is particularly so if the claim may, so long as it succeeds in part, materially impact the issuer's performance, even if the exact quantum of the claim may still be uncertain. However, if the claim or action could reasonably be characterised as bound to fail (for example, if the issuer has received legal advice to that effect), disclosure may not be necessary.

Negative example:

An issuer received a letter of demand from its lender. The amount owed by the issuer to the lender was substantial. The issuer did not immediately announce the receipt of the letter of demand, nor did it request a trading halt. The issuer said that it was still in negotiations with the lender to seek a time extension to make repayment and hence did not think that disclosure was necessary.

The Exchange determined that the receipt of the letter of demand was material and took disciplinary action against the issuer for failure to disclose the matter promptly. The Exchange considered that the receipt of a letter of demand by the issuer from its lender would be considered material information for the issuer, given the amount owed. The fact that a time extension was being sought should not have altered the decision to disclose immediately, as there was already certainty of the claim. The issuer should have announced the receipt of the letter of demand promptly.

Trade secrets

4.10 An issuer also cannot rely on reasons, such as possible erosion of the issuer's competitiveness or unfavourable impact on the issuer's business to avoid complying with the disclosure rules, unless the matter is a trade secret. Trade secrets are intellectual property of the issuer, such as a specific process, system or know-how belonging to the issuer which provides it with a competitive advantage. It does not include general information that can be easily discoverable or observed.

5. Guidance on particular situations

5.1 Examples of the types of information that could be material are provided under paragraphs 5 and 9 of Appendix 7A. However, no definitive list can be given. What may be considered material to one issuer may not be material to another. Hence each issuer must exercise its own judgment when deciding whether information is material. Apart from considering quantitative factors, an issuer should consider qualitative and circumstantial factors when deciding whether it is necessary to disclose a particular piece of information. These include trading history of the issuer, unexplained change in price or volume of the issuer's shares, volatility of the issuer's shares, operating environment of the issuer, and the total mix of information that is publicly available. As a guiding principle, an issuer should always consider whether a reasonable person would expect the information to be disclosed.

Change in the issuer's near-term earnings prospects

5.2 During the course of preparing its financial reports, an issuer may become aware that the company's financial position will significantly deviate from previously reported results. In such a situation, the issuer should disclose the significant deviation immediately, and not withhold it until the scheduled release of the financial report. This is made clear in paragraph 9 of Appendix 7A, which states that where there is firm evidence of significant improvement or deterioration in the near-term earnings prospects, this is likely to be considered material information which must be disclosed immediately. The same obligation also applies if there are material adjustments to the issuer's previously announced financial statements.

5.3 Issuers should take into account the information currently available to the public that might inform investors' expectations on the issuer's future performance. This will necessarily include previous prospect statements made by the issuer in its financial reports.

5.4 Apart from the financial reporting cycle, an issuer may also become aware of material changes to its near-term earnings prospects caused by general trading trends or by specific events or developments during the course of its business which may be likely to materially affect its earnings (for example, a loss of a major customer or disruption to a major supplier). The issuer should assess if such events or developments are material and require immediate disclosure. The issuer should put in place internal controls to escalate material information to the Board expediently for consideration.

Ongoing developments

5.5 In certain situations, a matter may still be developing or undergoing further assessment, and issuers may not be able to quantify the impact at the occurrence of the material event. Issuers must still make disclosure of the event without delay. Their announcement should contain sufficient information for investors to understand the potential magnitude of the event and its relevance in the context of the issuer's prospects. Useful information will include a description of the risks or uncertainties and mitigating measures to be taken by the issuer. Issuers should follow up with further announcements to the market when there are subsequent material developments.

Positive example:

A fire occurred at a storage facility of a major supplier of an issuer. The issuer made immediate announcement of the incident on SGXNET, while it was still in the process of assessing the scale of the impact.

In its announcement, the issuer included information on the extent of its reliance on that particular supplier, the immediate impact of the fire to its supply operations and obligations to existing customers, as well as mitigating measures undertaken to minimise impact of the disruption.

The issuer also stated that it was conducting further assessment of the impact, and would provide updates to the market if it is concluded that there is material impact.

Investigation on a director or an executive officer of the issuer

5.6 Under Rule 704(6)(a), an announcement of the appointment of key persons by an issuer must contain material background information as set out in Appendix 7F. Such information includes, among others, whether the key person has been the subject of civil or criminal proceedings (including pending proceedings) involving a breach of law or regulatory requirement relating to the securities or futures industry, or involving fraud or dishonesty.

5.7 Under Rule 720(1), an issuer must also comply with Rule 406(3) on a continuing basis, which requires, among others, a consideration of the character and integrity of directors and management.

5.8 Any action or conduct by directors or executive officers subsequent to their appointment that would materially affect the information previously disclosed in accordance with Appendix 7F, or that would bring into question their character and integrity ("relevant conduct"), must be immediately disclosed and not put on hold until they are to be re-appointed.

5.9 Issuers should put in place internal controls to ensure information is escalated expediently to the Board, including the Nominating Committee, where directors or executive officers are notified by a regulatory authority, an exchange, a professional body or a government agency ("relevant authority"), that they are to be interviewed or under investigation for relevant conduct. The Board should conduct an independent assessment of the matter and not rely solely on the representations made by the director or executive officer.

5.10 In determining whether the information is material for disclosure, the Board should consider, among others:

(a) the extent to which the interview or investigation for relevant conduct concerns the affairs of the issuer or the group;

(b) whether the director or executive officer is the subject of the investigation or merely assisting in the investigation;

(c) the extent to which the issuer is reliant on the director or executive officer for the proper oversight and management of the issuer;

(d) the extent to which the director's or executive officer's ability to oversee or manage the issuer is compromised; and

(e) the severity of the potential breach.

5.11 Clear instances that warrant disclosure include where the directors or executive officers surrender their passports to the relevant authority or if they are arrested. These indicate that the director or executive officer is the subject of the investigation as opposed to merely assisting with the investigation. If an investigation is still pending, issuers should first release a statement to that effect and follow up as and when there are material developments.

5.12 On the other hand, where a relevant conduct is likely to result in or has resulted in a private sanction by the relevant authority, such information need not be disclosed as the likely or actual breach is likely to be of a less serious nature and the relevant authority has deemed it appropriate for the sanction to remain confidential.

6. Content of announcements

Publication of promotional material

6.1 Announcements on SGXNET must be balanced and fair. That is, both the positive and negative aspects of the development or prospects must be disclosed honestly and without bias. Issuers should be cautious not to mislead investors with the presentation or emphasis of certain favourable information, or omission of certain unfavourable key facts.

6.2 In particular, paragraph 27 of Appendix 7A states that issuers should avoid the use of promotional jargon in their announcements. This does not mean that issuers should avoid disclosing developments or presenting forward looking information that are positive in nature. For example, a property development company may announce updates of its key projects attaining certain sales milestones; a technology company may announce the launch of a breakthrough product. Such announcements enable investors to assess the impact of such developments on the issuer's business and future prospects. In this regard, issuers should

refer to the specific guidance provided in Appendix 7A, to ensure that their disclosures meet the requirements of being balanced and fair.

6.3 Issuers should also avoid using SGXNET to publish third party research reports that present a favourable valuation of the issuer's shares, with the aim of driving up the share price. The publication of research reports by an issuer could be interpreted as tacit representation that its results will be close to the estimate and will likely be considered by the Exchange as a prospect statement. The report will also be subject to the same requirements as any other announcement from the issuer (for example, it must not mislead investors and must be presented in a balanced and fair manner). In addition, as stated in paragraph 12 of Appendix 7A, estimates or projections should be prepared carefully, be soundly based and should be realistic.

Negative example:

An issuer announced a third party research analyst's projected valuation of the issuer's securities. Upon investigation, the Exchange found that the issuer had omitted key facts from the research report in its announcement. In particular, the issuer only presented the most optimistic scenario of the analyst's valuation in the announcement, without sufficient qualification or explanation. The issuer had failed to highlight the range of possible valuation scenarios and key assumptions for each scenario that had been included in the research report.

The Exchange took the view that the issuer was in breach of the Listing Rule requirements for announcements to be balanced and fair and took disciplinary action against the issuer.

Sufficient information

6.4 Announcements should contain sufficient detail to allow investors to evaluate the relative importance of the announced information to the issuer. When announcing the award of any contract or new business arrangements, for example distributorships, joint ventures and strategic alliances, an issuer must state clearly the financial impact arising from the transaction or, if there is no material impact, provide a statement to that effect. By providing the financial impact on the issuer, investors will be able to put the announcement in perspective.

6.5 The Exchange recognises that there may be some instances where an issuer is prevented from disclosing the financial impact with certainty. One example may be the existence of certain variables that are outside the issuer's control, such as fulfillment of a contract on an ad-hoc basis or poor visibility as to when revenue is generated. Under these circumstances, the issuer should provide an explanation for the non-disclosure and sufficient information to enable investors to independently assess the financial impact taking into consideration the variables disclosed.

6.6 The inclusion of generic or boilerplate statements is of limited use to investors. For example, vague statements such as "the issuer expects to remain profitable" or imprecise terms such as "double digit performance" do not provide useful information to investors as to the possible scale of performance expected. As another example, if a transaction will only be conducted in the next financial year, a statement merely stating that the transaction is not expected to have a material impact for the current financial year will not be meaningful. In

this regard, issuers should set out the specific facts or circumstances that has affected or may affect performance, and provide insightful analysis on the impact for investors to make an informed assessment of the issuer's prospects.

7. Other issues

Information from third parties

7.1 Announcements by third parties, such as industry regulators, may be considered material information. If the issuer assesses that there is material impact from these developments, it should make the necessary disclosure, with an assessment of the impact of the event.

7.2 There may be instances where a third party releases information on behalf of, or relevant to, an issuer, for example in the case of a takeover. Where possible, issuers should ensure that the announcement provided by the third parties is made under the issuer's name, so that investors can locate all announcements relating to an issuer when they access SGXNET. Third parties and professional advisers who do not represent the issuer are also encouraged to liaise with the issuer and make necessary arrangements to release any material announcement pertaining to the issuer under the issuer's name.

Publication on the issuer's website

7.3 The Exchange does not prohibit issuers from disseminating information through other media such as the Internet. Issuers are reminded that any material information released on the Internet, including posting of information on its own website, should have been previously released via SGXNET, or should be simultaneously released via SGXNET.

Analyst briefings

7.4 The Exchange does not prohibit issuers from conducting briefings with analysts and holding meetings with groups of investors and the media. However, such meetings might create a perception that analysts, institutional investors, fund managers or media have access to information that is not generally available to the public and this may undermine investors' confidence in the existence of a level playing field. Hence, an issuer should have in place policies to minimise the risk of being perceived to be practising selective disclosure. Such policies might include pre-release of any prepared information intended for the briefings and meetings, for example slides or speeches, via SGXNET. Alternatively, as such information must not be material, non-public information, it could be released on the issuer's website with an accompanying SGXNET announcement to inform investors that additional information is available on the issuer's website. The second alternative may be preferred if the issuer intends to release large-sized files or provide a webcast of the briefing.

7.5 Where an issuer inadvertently discloses material, non-public information during these briefings or meetings, the issuer must disseminate the information via SGXNET as promptly as possible. An issuer may, if necessary, request a trading halt in its securities.

Response to queries from the Exchange

7.6 The Exchange may suspend the trading of an issuer's securities if an issuer fails to respond to a query issued by the Exchange before the commencement of trading or where there is unusual market activity upon commencement of trading. The issuance of a holding announcement by the issuer stating that the Exchange is querying the issuer is not acceptable,

as the investing public would still be trading on an uninformed basis. Issuers may request a trading halt to facilitate the release of announcements.

Part II: What Constitutes Material Information?

4. Examples of the types of information that could be material are provided under paragraphs 5 and 9 of Appendix 7A. However, no definitive list can be given. What may be considered material to one issuer may not be material to another. Hence each issuer must exercise its own judgment, having consulted with its sponsor, when deciding whether information is material. Apart from considering quantitative factors, an issuer should consider qualitative and circumstantial factors when deciding whether it is necessary to disclose a particular piece of information. These include trading history of the issuer, unexplained change in price or volume of the issuer's shares, volatility of the issuer's shares, operating environment of the issuer, and the total mix of information that is publicly available. As a guiding principle, an issuer should always consider whether a reasonable person would expect the information to be disclosed.

5. If an issuer is unable to ascertain whether the information is material, or is in any doubt about the availability of the exceptions from the requirement to disclose material information, the recommended course of action is to announce the information via SGXNET.

Part III: Guidance On Particular Situations And Issues

6. Are analysts' briefings and meetings with journalists, stockholders or any other persons permissible under the Corporate Disclosure Policy? In the event of inadvertent disclosure of material, non-public information during such briefings and meetings, what should an issuer do?

(a) The Exchange does not prohibit issuers from conducting briefings with analysts and holding meetings with groups of investors and the media. However, such meetings might create a perception that analysts, institutional investors, fund managers or media have access to information that is not generally available to the public and this may undermine investors' confidence in the existence of a level playing field. Hence, an issuer should have in place policies to minimize the risk of being perceived to be practising selective disclosure. Such policies might include pre-release of any prepared information intended for the briefings and meetings, for example slides or speeches, via SGXNET. Alternatively, as such information must not be material, non-public information, it could be released on the issuer's website with an accompanying SGXNET announcement to inform investors that additional information is available on the issuer's website. The second alternative may be preferred if the issuer intends to release large-sized files.

(b) Where an issuer inadvertently discloses material, non-public information during these briefings or meetings, the issuer must disseminate the information via SGXNET as promptly as possible. An issuer may, if necessary, request for suspension of trading in its securities or a trading halt (upon implementation by the Exchange).

(c) A sponsor must advise the issuer if it thinks a suspension or trading halt is warranted. If the sponsor thinks the issuer's securities should be suspended or put into a trading halt, it must also notify the Exchange. The issuer remains responsible for requesting for a suspension or trading halt from the Exchange.

7. Can issuers post information on the Internet including on their websites?

The Exchange does not prohibit issuers from disseminating information through other media such as the Internet. Issuers are reminded that any material information released on the Internet, including posting of information on its own website, should have been previously released via SGXNET, or should be simultaneously released via SGXNET.

8. How should an issuer deal with the release of material information by professional advisers or third parties?

There may be instances where a third party releases information on behalf of, or relevant to, an issuer for example in the case of a takeover. Whenever possible, issuers should ensure that the announcement provided by the third parties is made under the issuer's name. By doing so, investors can conveniently locate all announcements relating to an issuer when they access SGXNET. Third parties and professional advisers who do not represent the issuer are also encouraged to liaise with the issuer and make necessary arrangements to release any material announcement pertaining to the issuer under the issuer's name.

9. Under what circumstances would material information be considered to have been leaked? If material information has been leaked, what are the obligations of the issuer under the Corporate Disclosure Policy?

(a) Where material, non-public information has been reported but not released via SGXNET, the Exchange will require clarification from an issuer to ensure that the market is trading on accurate information. The Exchange will do so by contacting the sponsor and having the sponsor follow up with the issuer. In assessing whether there has been a possible leakage of material information, the Exchange will take into consideration factors, such as the level of detail and any identified source of the information. To illustrate, should the report contain very specific information, for example precise value of contract, explicit financial impact, or the source has been attributed to a company spokesperson, this indicates that there may have been a leakage of material information. Leakage of material information would result in a loss of confidentiality and thus an issuer can no longer rely on the exemption under Rule 703(3).

(b) The sponsor should arrange for relevant press monitoring to identify any material information reported in the press concerning the issuer which has not been released via SGXNET. This is particularly important when the sponsor is aware of material undisclosed price-sensitive information in existence. The Exchange would normally not expect the sponsor to take any further action if the information in the report is speculative or frivolous unless there is a price or volume reaction in the market. The issuer should consult its sponsor when deciding whether an announcement is necessary. The Exchange does not expect issuers to respond to all rumours or speculation. However, an issuer is expected to clarify the position if the information contained in the report or rumour is reasonably specific without there having been a previous announcement by the issuer, or if the issuer's share price or volume is reacting to the report or rumour.

(c) If the report suggests that there has been a leakage of material information, the sponsor should contact the issuer to discuss whether an announcement is required. If the Exchange becomes aware of the leakage, it will contact the sponsor for an explanation. If time is critical, the Exchange may contact the issuer directly. If, after consultation with its sponsor, the issuer is of the view that the information reported is not material (and thus no announcement is necessary) and the Exchange is satisfied with the explanation given, no further action would be required for the time being. The Exchange will monitor the market for movement, and if there is unusual market

activity that could be attributable to the report, the Exchange will contact the sponsor and/or issuer requesting that an announcement be made.

(d) The following guidelines in relation to dealing with leakage of material information apply:

(i) an issuer is required to announce any material, non-public information that has leaked to the market even though it was covered by the exemptions (for example, regardless of whether the transaction is still undergoing negotiation);

(ii) if an issuer is not ready to confirm the information that was leaked or there is too much uncertainty, the issuer should release a holding statement to sufficiently explain the position; or

(iii) if an issuer is of the view that there has been no leak, but the market price or volume is reacting to the report, the issuer should release a statement to clarify the position, or confirm the report, even though the statement does not provide any new material information. If the issuer does not do this and a disorderly market exists in the Exchange's opinion, the Exchange may need to suspend the issuer's securities from trading.

10. If an issuer fails to respond to a query issued by the Exchange before the start of trading, will a suspension be imposed? Would a holding announcement stating that the Exchange is querying the issuer constitute sufficient information to allow the issuer's securities to continue trading?

The Exchange may suspend the trading of an issuer's securities if an issuer or its sponsor fails to respond before the start of trading or if trading has started and there is unusual market activity. The issuance of a holding announcement by the issuer stating that the Exchange is querying the issuer is not acceptable, as the investing public would still be trading on an uninformed basis.

11. Is an issuer exempted from the disclosure rules due to an undertaking of confidentiality or competitive concerns?

(a) An issuer must not agree to a confidentiality clause with any other parties, for example as part of contractual terms, which may result in it not being able to comply with the disclosure rules. This requirement does not apply if Rule 703(2) applies. The absence of a confidentiality clause does not mean that disclosure is required. Rules 703(2) or 703(3) may still apply, in which case, the issuer may withhold disclosure of the information.

(b) Similarly, an issuer also cannot rely on reasons, such as possible erosion of the issuer's competitiveness or unfavourable impact on the issuer's business to avoid complying with the disclosure rules.

12. Is it sufficient for an issuer to disclose just the value of the contract or new business arrangements without stating the resultant financial effects in its announcement?

(a) When announcing the award of any contract or new business arrangements, for example distributorships, joint ventures and strategic alliances, an issuer must state clearly the financial impact (in terms of earnings per share or net tangible asset per share) arising from the transaction or provide an appropriate negative statement if there is none. By providing the financial impact on the issuer, investors will be able to put the announcement in perspective.

(b) The Exchange recognizes that there may be some instances where an issuer is prevented from disclosing the financial impact with certainty. One example may be the existence of certain variables that are outside the issuer's control, such as fulfilment of a contract on an ad-hoc basis or poor visibility as to when revenue is generated. Under these circumstances, the issuer should provide an explanation for the non-disclosure and sufficient information to enable investors to independently assess the financial impact taking into consideration the variables disclosed.

Part IV: Securities And Futures Act (SFA)

13. Section 203 of the SFA creates a statutory obligation on an issuer and others to comply with the Exchange's Continuing Disclosure obligations. It says:

203.

(1) This section shall apply to —

(a) an entity the securities of which are listed for quotation on a securities exchange;

(b) a trustee of a business trust, where the securities of the business trust are listed for quotation on a securities exchange; or

(c) a responsible person of a collective investment scheme, where the units of the collective investment scheme are listed for quotation on a securities exchange,

if the entity, trustee or responsible person is required by the securities exchange under the listing rules or any other requirement of the securities exchange to notify the securities exchange of information on specified events or matters as they occur or arise for the purpose of the securities exchange making that information available to a securities market operated by the securities exchange.

(2) The persons specified in subsection (1) (a), (b) or (c) shall not intentionally, recklessly or negligently fail to notify the securities exchange of such information as is required to be disclosed by the securities exchange under the listing rules or any other requirement of the securities exchange.

(3) Notwithstanding section 204, a contravention of subsection (2) shall not be an offence unless the failure to notify is intentional or reckless.

14. Furthermore, under Section 331 of the SFA, an offence under the Act committed with the consent or connivance of, or attributable to any neglect on the part of, an officer of the body corporate makes that officer guilty of the offence as well.

15. The SFA clearly adds an additional dimension to the obligations to make disclosure and issuers should be mindful of such obligations when making decisions regarding disclosure.