

PRACTICE NOTE 7B
MONITORING AND QUERYING ~~QUERIES REGARDING UNUSUAL TRADING~~
ACTIVITY

Cross-referenced from Rule 703, Appendix 7A and Practice Note 7A

PART I: INTRODUCTION

1. This Practice Note provides information on the role of ~~the SGX Market~~ Surveillance ("MS Surveillance") Department and the procedures normally employed when an issuer is queried regarding trading in its securities.
2. ~~MS Surveillance Department~~ continues to monitor price and volume movements on all Catalyst securities, even though an issuer's sponsor is also responsible for having arrangements to monitor trading.

PART II: UNUSUAL TRADING ACTIVITY

3. As set out under paragraph 20 of Appendix 7A, unusual trading activity in an issuer's securities, without it being apparent that publicly available information could account for the activity, may signify trading by persons who are acting on unannounced material information or on a rumour or report, whether true or false.
4. The unusual market activity may not be traceable directly to unannounced information or to a rumour or report. Nevertheless, the market activity itself may be misleading to investors, who may assume that a sudden and appreciable change in the price of, or volume traded in, the issuer's securities reflects a corresponding change in its business or prospects.

PART III: ROLE OF ~~MARKET~~ SURVEILLANCE

5. ~~The MS Department~~ Surveillance utilizes a real-time market surveillance system which employs the latest technology to automatically alert the MS Surveillance officers to market behaviour such as unusual price and volume movements of an issuer's securities. The MS Surveillance officer then examines whether public information, company specific news, counter-specific trends, industry trends, economic factors or prevailing market sentiment, can explain the market activity. If no explanation is apparent, the Exchange requires the issuer to inform the public whether it is aware of any material information that might reasonably be expected to have a significant effect on the trading volume or price of its securities.
6. ~~The MS Department issues either a verbal query or written query~~ Surveillance will issue a query, depending on the extent of the unusual trading activity, measured against pre-determined thresholds set by the Exchange from time to time.

~~7. Verbal Query~~

- ~~(a) Generally, verbal queries on unusual trading activity would not be posted on SGXNET by the Exchange. The issuer is typically not required to post its response on SGXNET. However, if the issuer's response contains material information or the Exchange thinks the information ought to be released in the interests of an informed market, the Exchange may request the issuer to release its response via SGXNET. The Exchange retains the discretion whether to release its query on unusual trading activity on SGXNET.~~

~~(b) MS usually initiates a verbal query where the price or volume changes, whilst high, have not reached the thresholds which trigger the issuance of a written query. The MS officer will also inform the issuer's sponsor of the verbal query as soon as possible. The verbal query, apart from potentially ascertaining the cause of the unusual trading activity, also serves as an alert to the sponsor and issuer of the unusual trading activity in the issuer's securities. This allows sponsors and issuers to monitor the trading activity as a precautionary measure.~~

~~The MS officers continue to monitor the trading activity of the issuer's securities after initiating the verbal query, and may follow up with a written query should trading activity justify such action.~~

~~(c) The MS officer will usually pose the following questions when making a verbal query:~~

~~(i) — Is the issuer aware of any information not previously announced concerning the issuer, its subsidiaries or associated companies which, if known, might explain the trading? If yes, the information must be announced immediately; and~~

~~(ii) — Is the issuer aware of any other possible explanation for the unusual trading?~~

~~(iii) — Can you confirm your compliance with the listing rules and, in particular, listing Rule 703?~~

~~Please note that these questions may be modified depending on the circumstances.~~

8.7. Written Query Query by Surveillance

~~(a) All written queries issued by the Exchange will be posted on SGXNET by the Exchange immediately after they are issued. Wherever possible, the MS Surveillance officer will make every effort to contact the issuer's authorized representatives prior to issuing the written query, to alert the issuer to the Exchange's query.~~

~~(b) The written query will be faxed/mailed to the issuer and its sponsor and posted on SGXNET under Singapore Exchange Securities Trading Limited.~~

~~(c) Please refer to the applicable proforma query letters below for information. The Exchange reserves the right to vary the contents of the letter depending on the circumstances.~~

PART IV: RESPONSE ON RECEIVING A QUERY ON UNUSUAL TRADING ACTIVITY

~~9.8. If the issuer does not have undisclosed material information, it must inform its sponsor. The sponsor is responsible for advising it regarding the response it should give to the Exchange. MS may advise an issuer to consult its sponsor when the issuer responds to the query that it has no undisclosed material information.~~

~~10.9. If the issuer has undisclosed material information, it must inform its sponsor. The sponsor should advise the issuer on the response it should give to the Exchange's query and where necessary, advise the issuer to request for a trading halt or suspension, and advise the issuer regarding the response it should give to the Exchange's query. The Exchange will also follow up to ensure that the issuer, following consultation with its sponsor, provides an appropriate response on this issue as soon as possible.~~

~~10. An issuer is expected to respond to a query (whether written or verbal) as soon as possible. Issuers and their sponsors should, therefore, ensure that they are operationally ready to respond promptly. In view of the importance of maintaining a fair, orderly and transparent market, issuers and sponsors must, upon receiving a query from the Exchange, immediately undertake an enquiry to ascertain the cause of the unusual trading activity. Issuers and sponsors should have~~

in place, procedures to ensure that the enquiry or information gathering is carried out efficiently, systematically and promptly, so that the issuer is able to disseminate all material information as soon as possible.

11. Paragraph 22 of Appendix 7A sets out some possible causes for unusual trading and how issuers should respond to the queries based on different causes.

12. An issuer may wish to, where appropriate, request for a trading halt or suspension of trading in its securities ~~or a trading halt~~. If so, the issuer should contact ~~Market Control Department~~ Securities Market Control Trading and Clearing and provide a SGXNET announcement requesting for ~~suspension or a trading halt~~ or suspension, stating the reason for the trading halt or suspension ~~or trading halt~~. Where possible, it would be useful for issuers to inform investors when the issuer can respond to the Exchange's query and when the trading halt or suspension of its securities ~~or trading halt~~ is expected to be lifted.

13. The person providing the reply to the Exchange must be authorised by the Board to do so. The directors of the issuer must collectively and individually take responsibility for the accuracy of the replies provided to the Exchange with regards to the query raised by Surveillance.

PART V: NOTIFICATION TO THE EXCHANGE ON SPECIFIC TRANSACTIONS AND PRIVY PERSONS

14. Unusual trading activity could indicate possible leakage of material, price sensitive information. To facilitate closer monitoring of trading activities, where the Board of an issuer is:

- (i) made aware of discussions or negotiations on a potential proposal; or
- (ii) in discussion or negotiation on an agreement or document, whether binding or non-binding,

that is likely to result in any of the following transactions, the issuer would need to notify the Exchange without delay:

- (i) Takeover of the issuer, which includes a scheme of arrangement or delisting;
- (ii) Reverse takeover of the issuer; or
- (iii) Very substantial acquisition by the issuer.

15. Where the discussions or negotiations are carried out by a controlling shareholder of the issuer and without the knowledge of the issuer, that controlling shareholder shall (through their advisers or otherwise) notify the Exchange directly if the discussions or negotiations are likely to result in the above transactions.

16. The Exchange requires the notifications to be provided using the prescribed format. Each notification shall cover the following:

- (i) Name of issuer;
- (ii) Type of Transaction;
- (iii) Target Company (if applicable); and
- (iv) Details of the contact person.

17. The issuer and/or the controlling shareholder shall notify the Exchange if such discussions or negotiations cease.

18. The issuer, and/or the controlling shareholder shall concurrently commence the maintenance of a list of persons privy to the transaction ("privy list") in the prescribed format.

19. The Exchange reserves the right to request for the submission of a privy list as and when it deems necessary.

20. The privy list and notifications to the Exchange under paragraph 14 and 15 shall be emailed to privylist@sgx.com and will be kept confidential.

PART VI: CONCLUSION

~~12.21.~~ This Practice Note sets out the normal procedures which ~~MS Surveillance Department~~ undertakes when querying issuers on unusual trading activities. However, there may be instances when a different approach is warranted.

~~13.22.~~ Issuers should also familiarize themselves with the Exchange's Continuing Obligations, Corporate Disclosure Policy and any other relevant Practice Notes.

~~14.23.~~ Issuers should consult their sponsors if they have queries on this matter.

PROFORMA WRITTEN QUERY LETTER FOR ISSUERS

~~Cross-referenced from paragraph 8(e)~~

Dear []

Query regarding trading activity

~~We have noted, and draw your attention to, a change in the [price/volume] of your shares on [date]. To ensure a fair and orderly market, please answer each of the following:~~

~~Question 1: Are you aware of any information not previously announced concerning you (the issuer), your subsidiaries or associated companies which, if known, might explain the trading? If yes, the information must be announced immediately.~~

~~Question 2: Are you aware of any other possible explanation for the trading?~~

~~Question 3: Can you confirm your compliance with the listing rules and, in particular, listing Rule [703]?~~

~~Question 4: [other questions]~~

~~Please consult your sponsor and respond immediately via SGXNET. Where appropriate, you may want to request a suspension of trading or a trading halt. Please contact Market Control Department immediately. Thank you for your cooperation.~~

~~We have released this letter via SGXNET.~~

~~Yours faithfully~~

HEAD, MARKET SURVEILLANCE

Notes:

- ~~(i) Subject to limited exceptions in Rule 703, an issuer must announce any information known to the issuer concerning it or any of its subsidiaries or associated companies which is necessary to avoid the establishment of a false market in the issuer's securities, or would be likely to materially affect the price or value of its securities must be publicly disclosed (Rule 703).~~

- ~~(ii) An issuer must undertake a review to determine the causes of any unusual trading activity (paragraph 22 of Appendix 7A).~~
- ~~(iii) An announcement should, among other things, state whether the issuer or any of its directors are aware of the reasons for the unusual trading activity and whether there is any material information which has not been publicly disclosed (Paragraph 33 of Appendix 7A).~~
- ~~(iv) Your responsibility under listing rules is not confined to, or necessarily satisfied by, answering the questions in this letter.~~
- ~~(v) An announcement must contain a statement by your sponsor as required under Rule 753(2).~~