



# **INSIDER TRADING POLICY (“Policy”)**

*For purposes of U.S. federal securities laws*

*Version 2  
12 December 2006*

*This document contains information which is proprietary to the Pacific Internet Limited. You must not use, copy, distribute or disclose any part of such information and any related materials without advance written consent from Pacific Internet Limited.*

## TABLE OF CONTENTS

1.	INTRODUCTION .....	1
2.	WHAT IS INSIDER TRADING? .....	1
3.	MEANING OF CORPORATE INSIDERS .....	1
4.	WHAT IS MATERIAL NON-PUBLIC INFORMATION? .....	2
5.	STATEMENT OF POLICY .....	2
6.	TRADING GUIDELINES .....	3
7.	PENALTIES FOR INSIDER TRADING .....	4
8.	EXCEPTIONS.....	5
9.	ASSISTANCE .....	5

## **1. Introduction**

- 1.1 Insider Trading (as defined below) is prohibited under U.S. federal securities laws and Pacific Internet Limited (“PacNet” or “Company”) has adopted this Policy in order to take an active role in the prevention of insider trading violations or any allegations of insider trading which could be detrimental to its reputation built up over the years. This Policy contains general guidelines and PacNet may revise or modify this Policy as circumstances may warrant.

## **2. What is Insider Trading?**

- 2.1 Insider Trading refers to the buying or selling of securities by “Corporate Insiders” (defined in Clause 3 below) while in possession of Material Non-Public Information (defined in Clause 4 below) in breach of a fiduciary duty or other relationship of trust and confidence.
- 2.2 Each individual is responsible for exercising his judgment in any trade in PacNet’s securities although from time to time, PacNet will issue notifications informing of the need to refrain from trading in securities during trading periods where the presumption of insider trading is the highest (“blackout periods”). The period outside the blackout period is referred to as the “trading window”.
- 2.3 A Corporate Insider may, from time to time, have to forego a proposed transaction in the Company’ securities even if he planned to make the transaction before learning of the Material Non-Public Information and even though he believes he may suffer an economic loss or forego anticipated profit by waiting.
- 2.4 Unless otherwise indicated, the term “securities” used in this Policy refers to the issued shares of PacNet as well as share options granted under PacNet’s share option plans, warrants, convertible debentures or rights issued by third parties.

## **3. Meaning of Corporate Insiders**

- 3.1 The term Corporate Insiders refers to (a) all employees of PacNet and its subsidiaries; (b) members of PacNet’s Board of Directors; (c) consultants, legal advisers, lenders, contractors of PacNet and its subsidiaries; and (d) other persons associated with PacNet and its subsidiaries eg joint venture partners who have access to or possess Material Non-Public Information. It also includes members of immediate families and members of the household of (a) to (d) set out above. This Policy is to be delivered to all new employees and consultants upon the commencement of their relationship with the Company and is to be circulated to all employees at least annually. As a condition of employment with the Company, all employees must sign a certification that they have received and read the Policy.
- 3.2 If you are in possession of Material Non-Public Information when you cease to be an employee or director of the Company, this Policy continues to apply until the information is made public or is no longer material.

---

#### **4. What is Material Non-Public Information?**

- 4.1 The term “Material Non-Public Information” is not defined by SEC regulations so reliance is placed on the definition determined by the courts and which generally applies under U.S. federal securities laws.
- 4.2 Information is “material” if a reasonable investor would consider it important in making a decision to buy, hold or sell securities. Any information that could be expected to affect the price of PacNet’s securities, whether positive or negative, should be considered material. While it may be difficult to determine whether particular information is material, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. Material Non-Public Information is information that has not been previously disclosed to the general public and is otherwise not available to the general public.

Some examples of such information include:

- (a) Change in senior management or change in control;
- (b) Significant legal or regulatory developments, including significant litigation exposure due to actual or threatened litigation;
- (c) Financial results disclosures, including projections of future earnings or losses, quarterly or yearly earnings information or other earnings guidance;
- (d) Launch of new services;
- (e) Significant pricing changes;
- (f) News of the pending or proposed acquisition or disposition of a subsidiary or significant assets;
- (g) Joint ventures with third parties;
- (h) Major contract awards, cancellations or write-offs;
- (i) Corporate reorganization, pending or proposed merger, acquisition or tender offer;
- (j) Stock splits, public or private sales of additional debt or equity securities;
- (k) Change in dividend policy;
- (l) Impending bankruptcy or the existence of financial liquidity problems;
- (m) Gain or loss of a significant customer or supplier; and
- (n) Resignation or termination of independent auditors.

#### **5. Statement of Policy**

- 5.1 It is the Company’s policy that no Corporate Insider, who is aware of Material Non-Public Information relating to the Company may, directly or through family members or other persons or entities (a) buy or sell Company securities (other than pursuant SEC Rule 10b5-1 – see Clause 8.2 below) or engage in any other action to take personal advantage of that information or (b) pass that information on to others outside the Company, including family and friends.
- 5.2 It is the policy of the Company that no Corporate Insider who, in the course of working for the Company, learns of Material Non-Public Information about a company with which the Company does business, including a customer or supplier of the Company, may trade in that company’s securities until the information becomes public or is no longer material.

## 6. Trading Guidelines

6.1 In general, a purchase or sale of the Company's securities should not be made until after the release of Material Non-Public Information. Transactions just prior to, or immediately following, important press releases are to be avoided.

6.2 The following guidelines indicate when it would ordinarily NOT be regarded as appropriate for Corporate Insiders to trade in PacNet securities.

6.2.1 You may not trade if you have knowledge of Material Non-Public Information about PacNet that has not been made widely available to the investing public.

Once any material information has been released by PacNet, you should refrain from trading until sufficient time has passed to ensure that the information has been widely distributed to the investing public. In most cases, it is recommended that you refrain from trading until at least two clear trading days after release by PacNet of the information to allow the public sufficient time to consider the information. Please note that days on which markets are closed are not counted as trading days. In certain circumstances, it may be advisable to wait longer.

Examples:

<u>If information is made available</u>	<u>Trading can begin</u>
(A) on Friday before market opens	Tuesday
(B) on Friday when market is open or after market closes	Wednesday

6.2.2 You may not trade, without prior permission, during any period designated as a blackout period by Group HR in consultation with the Company Secretary, whether or not you possess any Material Non-Public Information.

6.2.3 You generally may trade if you do not possess any Material Non-Public Information that has not been publicly disclosed and no limitation on trading has been declared. However, trading would generally not be regarded as appropriate during the following periods:

- (a) during the two week period before the release of quarterly results and at least two clear trading days thereafter;
- (b) during the two week period before and at least two clear trading days after wide dissemination of information on the status of PacNet and current results (e.g. after the mailing of a prospectus which gives such information in connection with, for example, a new financing or other transaction); and
- (c) at those times when there is relatively high volatility in PacNet's operations and the market for its securities.

6.3 Generally, the safest period for trading in the Company's securities is the first 10 trading days following the end of a blackout period provided that there is no Material Non-Public Information. As the quarter progresses, the likelihood of a Corporate Insider acquiring Material Non-Public Information increases.

6.4 You should not assume that trading in the Company's securities during the trading window constitutes a "safe harbor". All individuals should use good judgment at all times.

## 7. Penalties for Insider Trading

7.1 Although the regulatory authorities concentrate their efforts on individuals who trade or who "tip" inside information to others for the improper purpose of exploiting the information for direct or indirect personal gain (which need not be substantial), the U.S. federal securities laws also impose potential liability on companies and other "controlling persons" (e.g. supervisory management) if they fail to take reasonable steps to prevent insider trading by company personnel. As long as someone is aware of Material Non-Public Information AT THE TIME company stock is purchased or sold, he or she will be subject to penalties for insider trading. This is because the SEC believes that an awareness of material non-public information inevitably leads to its use. An individual, firm, limited liability partnership or corporation may also be subject to civil and criminal penalties for insider trading under other applicable laws and regulations including but not limited to the Securities and Futures Act (Cap 289 of Singapore).

7.2 Insider trading violations by individuals who trade on Material Non-Public Information are subject to (a) civil penalty of up to 3 times the profit gained or loss avoided; (b) criminal fine of up to US\$1,000,000 (no matter how small the profit) and (c) a jail term of up to 10 years. "Profit gained" or "loss avoided" generally means the difference between the purchase or sale price of the Company's securities and its value as measured by the trading price of the securities a reasonable period after public dissemination of the Material Non-Public Information.

7.3 An individual who communicates or "tips" inside information to a person who then trades is subject to the same penalties as the "tippee" even if that individual did not trade and did not profit from the tippee's trading.

7.4 The Company and its supervisory personnel, if they fail to take appropriate steps to prevent illegal insider trading, are subject to (a) a civil penalty of up to US\$1,000,000 or, if greater, 3 times the profit gained or loss avoided as a result of the employees' violation and (b) a criminal penalty of up to US\$2,500,000.

7.5 The Company will not hesitate to take disciplinary action against any employee who violates this Policy including termination of employment for cause.

7.6 The US SEC actively monitors insider trading breaches and some examples of insider trading cases that have been brought by the SEC were against: (a) corporate officers, directors, and employees who traded in the corporation's securities after learning of significant, confidential corporate developments; (b) friends, business associates, family members, and other "tippees" of such officers, directors, and employees, who traded the securities after receiving such information; (c) employees of law, banking, brokerage and printing firms who were given such information in

order to provide services to the corporation whose securities they traded; (d) government employees who learned of such information because of their employment by the government; and (e) other persons who misappropriated, and took advantage of, confidential information from their employers.

## 8. Exceptions

- 8.1 For purposes of this Policy, the exercise of share options for cash where all the shares continue to be held by the option holder under PacNet's share option plans is not prohibited.
- 8.2 SEC Rule 10b5-1 provides for legitimate insider transactions provided Corporate Insiders follow very specific procedures. Under this rule, an individual may trade in the Company's securities if, before he is aware of Material Non-Public Information, he (i) enters into a binding contract; (ii) instructs another person to purchase or sell the security or (iii) adopts a trading plan for trading securities. The contract, instruction or plan must have been entered into good faith and not to evade the insider trading prohibitions and must (i) specify the amount, price and timing of the trade or (ii) the formula for determining the amount, price and timing of the trade and (iii) does not permit any influence to be exercised over how, when or whether to effect the trade. Where influence can be exercised, it must have been done at a time when that person was unaware of Material Non-Public Information.
- 8.3 Trading in the Company's securities is NOT pursuant to the contract, instruction or plan if an individual, who entered into the contract, instruction or plan, altered or deviated from the contract, instruction or plan to buy or sell the Company's securities by changing the amount, price or timing of the trade or entering into or altering a corresponding or hedging transaction or position in relation to the securities.

## 9. Assistance

If you have any queries and require assistance, please contact the Company's Group Legal Department/Company Secretary. In the event that you are unclear if a transaction breaches this Policy, you are advised to err on the side of caution and seek clarification prior to proceeding with the transaction. Ultimately, however, the responsibility for adhering to this Policy and avoiding unlawful transactions rests with the individual.

---

### Revision History

- Original Version circulated on 7 October 2005.