



HONG FOK CORPORATION LIMITED

**MINUTES OF FIFTY-FIRST ANNUAL GENERAL MEETING
HELD ON TUESDAY, 30 APRIL 2019 AT 10.30 A.M.
AT EMPRESS BALLROOM 4 & 5, LEVEL 2, CARLTON HOTEL SINGAPORE
76 BRAS BASAH ROAD, SINGAPORE 189558**

1 CHAIRMAN

- 1.1 Mr Chan Pengee, Adrian chaired the Annual General Meeting (“AGM”).

2 QUORUM

- 2.1 As a quorum was present, the Chairman declared the AGM open at 10.30 a.m.

3 WELCOME

- 3.1 The Chairman welcomed the members to the AGM.

4 NOTICE AND VOTING MANNER

- 4.1 The Notice convening the AGM was taken as read.
- 4.2 The Chairman informed the shareholders that he would propose all the motions set out in the Notice of AGM, and shareholders who wish to ask any question relating to the businesses to be transacted at the AGM should identify themselves for record purposes.
- 4.3 The Chairman informed the shareholders that in his capacity as Chairman, he has been appointed as proxy by certain shareholders to vote in accordance with their instructions. Accordingly, he would be voting in the manner as instructed by these shareholders.
- 4.4 He added that he had directed that the votes on all motions presented at the AGM be conducted by poll in accordance with Rule 730A of the Listing Rules.

5 VOTING PROCEDURE

- 5.1 The shareholders were informed that all resolutions would be voted by poll using the electronic device provided by Trusted Services Pte. Ltd. Zico BPO Pte Ltd had been appointed as Scrutineer for all the polls conducted at the AGM. A short presentation on “How to Vote” using electronic poll voting device was presented at the AGM. Thereafter, Ms Lo Swee Oi, the Company Secretary, took the shareholders through the housekeeping rules pertaining to the poll voting process. A test run was also conducted to familiarize shareholders with the electronic polling system.

Before proceeding with the first item on the Agenda, the Chairman spoke about feeling honoured and privileged to have the confidence of the Board to appoint him as the Board Chairman. Being his first conduct of the AGM following his new appointment, he hoped that the shareholders could give him their support.

6 DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS

- 6.1 The Chairman informed the shareholders that the first item on the Agenda was to receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December 2018 together with the Auditors' Report.

The Chairman then opened the floor for questions by the shareholders.

- 6.2 A shareholder commented on the low dividends payout and high total remuneration of the 3 Executive Directors ("EDs"). He felt that it was not a good signal sent to the investment market. He made a comparison of the remunerations of the directors of other listed companies versus the Company's 3 EDs and he urged the Company to consider capping its 3 EDs' total remuneration at \$5 million. He also asked for additional dividend to be declared to the shareholders. He hoped that such initiatives could generate positive responses from the investment market which would then benefit all the shareholders.
- 6.3 Mr Chow Yew Hon, the Remuneration Committee ("RC") Chairman responded that the Company had achieved a better performance in FY2018 as compared to FY2017, in terms of operating profit and capital gains from the revaluation of the properties. Despite a better performance achieved by the EDs, the total remuneration of the EDs had remained relatively flat in FY2018 as compared to FY2017. The RC had engaged an external remuneration consulting firm, Korn Ferry Hay Group Pte Ltd ("Korn Ferry") to review the compensation packages of the EDs to ensure that their remuneration is in line with the market and industry practices.
- 6.4 Mr Kevin Goh from Korn Ferry provided an overview on how the study of the EDs' remuneration package was conducted which was based on the remuneration disclosures from the annual reports of 400 companies every year. Based on the study, the computation of the total remuneration used by the Company is a quite commonly used basis among other listed companies that are managed by family-owned personnel. Although the remuneration level of each individual ED was not low, but on a total range basis, it was still in line with market practice with EDs' bonus calculation based on a consistent approved percentage of the net profit of the Group.
- 6.5 The same shareholder felt that the newly appointed Non-Executive Independent Chairman should consider making things right by reducing the EDs' remuneration and increasing the amount of dividend gradually from the current 1.3 Singapore cents to say 3, 4 or 5 Singapore cents. With the proposed changes, he hoped that the Company's share price could increase accordingly.
- 6.6 Another shareholder felt that the fair value gains are unrealized profits and therefore disagreed with the RC's rationale for including such unrealized profits to compute the EDs' remuneration. He noted that there was no claw back provision in the event of a revaluation loss subsequently. He felt that the fair value gain from the revaluation of the properties though had not been realized, had already been paid out as a form of cash remuneration to the EDs.
- 6.7 The RC Chairman explained that the RC had a thorough deliberation on the remuneration of the EDs in accordance with Korn Ferry's study which was based on a large number of samples. The RC had also consulted Korn Ferry to ensure that

the remuneration of the EDs was not too far off from the market practice. The RC was of the view that the revaluation gain would enhance the Group's net asset value ("NAV") although such gain was a non-cash item. The Chairman added that the RC had also deliberated on the diverse views on the accounting treatment of fair value gains.

- 6.8 The RC Chairman clarified that not only the revaluation gain of YOTEL Singapore Orchard Road ("YOTEL") was the result of the improved market condition but also the strategic actions taken by the EDs e.g. they undertook the in-house construction of YOTEL to achieve substantial cost savings. The same shareholder commented that the EDs would have been compensated via their remuneration to perform their jobs and as such the incremental amount of the EDs' remuneration should be distributed to the shareholders as dividends. The shareholder also commented that some of the Non-Executive Independent Directors ("NEDs") were underpaid as it was not in accordance with their capabilities. The Chairman thanked the shareholder for his comments.
- 6.9 A shareholder commented that the EDs were paid based on the unrealised revaluation gain and when the revaluation gain was subsequently realised, the EDs would be paid again. The Chairman clarified that it would not be a double counting treatment.
- 6.10 The same shareholder then shared that majority of the shareholders would look forward to a higher dividend every year as most of them are retirees and dividends are usually their main source of income. He hoped that the Board would re-consider paying a higher dividend to the shareholders preferably according to the Straits Times Index i.e. more than 3 cents. The Chairman noted the shareholders' request for more dividends and thanked the shareholder for his comments.
- 6.11 When a shareholder asked for the criteria to compute the payment of bonus to the EDs, which made up 54% to 60% of their total remuneration, the RC Chairman responded that it was based on a consistent percentage of the Group's net profit achieved based on an average of three years. If there is any adjustment on the revaluation gain in any of the last three years, the EDs' bonus would also be adjusted accordingly.
- 6.12 A shareholder further asked whether the revaluation gain was the only criteria for determining the EDs' bonus. The Chairman answered that the RC and NC would conduct annual evaluation to assess the contribution of the EDs based on numerous criteria including the revaluation gain. If the EDs achieved good profit but did not perform well in other aspects, their bonus would be affected as well.
- 6.13 The same shareholder commented that the EDs were given the same amount of remuneration in 2018 and 2017 even though there was a core operating loss in 2017. He wondered how the RC had calculated the bonus for the EDs. The RC Chairman clarified that firstly, the RC had moderated the basic salary of the EDs. Secondly, the EDs' bonus was determined based on an average of the Group's net profit over 3 financial years. Net profit was based on core operating income and revaluation gain. Although the Company performed well in 2018 as compared to the years 2016 and 2017, the RC did not pay bonuses to the EDs based on merely the entire 2018 year profit but rather computed based on the average net profit over the last three financial years to determine the EDs' bonuses.
- 6.14 A shareholder mentioned that some companies computed the bonus based on their core operating profit and disregarded the revaluation gain. He disagreed with paying bonuses to the EDs based on revaluation gains which has not been realized.

- 6.15 The same shareholder wished to know how the valuation of the properties was conducted. The Chairman responded that external independent valuers were appointed to conduct the valuation of the properties on an annual basis. There was also a notice of valuation of real assets announced to the Singapore Exchange Securities Trading Limited ("SGX-ST") via SGXNet, together with the full year results announcement.
- 6.16 As for the valuation of the Group's properties, Ms Koh Chay Tiang, the Vice President (Accounts and Finance)/Company Secretary clarified that the Company relied on independent and reputable consultants such as Jones Lang Lasalle Property Consultants Pte Ltd, Savills Valuation and Professional Services (S) Pte Ltd and BMI Appraisals Limited. As the valuation of properties was a key audit matter, the Company's auditors had gone through thoroughly together with the valuers to challenge the basis of the methodology and assumptions to arrive at the valuation of the properties.
- 6.17 The same shareholder felt that the \$1.3 million per room key of YOTEL was considered high in view that the rooms of YOTEL are smaller as compared with other hotels' standard room size. He wished to know the methodology used by the valuers to determine the value per room key.
- 6.18 The ARMC Chairman responded that the valuation report was completed by an independent valuer. The ARMC formed its judgement based on the valuation report and the explanations and logic provided by the valuer and had accepted that the valuation was reasonable. The Group's properties comprised mainly offices and a hotel, and those properties located in Singapore could actually secure good rental income for the offices and per room key for the hotel. On that basis, the ARMC had accepted the valuation report presented to the Company as well as the review by the external auditors.
- 6.19 The same shareholder asked for the numbers from the valuation report which the ARMC had found them reasonable. The ARMC Chairman answered that the ARMC had depended on the independent valuer, an expert in this area to provide the ARMC with their review and comment. The ARMC had accepted the report by looking at the rationale of the valuation whether it was in line with the market factors. The external auditors had also assessed the valuation report to ascertain that a true and fair audited financial statement could be issued and signed off by them.
- 6.20 The RC Chairman (also ARMC member) confirmed that all the three ARMC members, including him, did challenge the methodology and assumptions used by the valuers to determine the fair value of the properties on the independent valuation report.
- 6.21 The Chairman then referred the shareholders to the published announcement on the notice of valuation of real assets where information required to be disclosed had already been published. He also shared that YOTEL has been operating fairly well and that its occupancy rate was above 80% in the first three months of 2019 and was at 90% in one of the three months. He was confident that YOTEL would continue to perform well in the future.
- 6.22 Separately, the same shareholder wished to know who had determined the share purchases as he noticed that the Company and the EDs had both bought back the Company's shares at the same time. The Chairman replied that the Company only started the share purchases exercise in 2019, a new corporate action for the Board's exploration as it felt that the Company's shares have been undervalued. It also wished to return back the money to the shareholders. Nonetheless, there was no restriction that the Directors cannot purchase the shares in the Company except

during the blackout period. The Company is subject to a limit set in the share buy-back mandate and would fine-tune the effectiveness of the share purchases from time to time.

- 6.23 The same shareholder remarked that it might not be appropriate for the Directors to purchase shares in the market when the Company is at the same time undertaking the share purchases, as it would appear as if the Directors concerned are in possession of certain material information of the Company. The Chairman noted the shareholder's concern and thanked him for his comments.
- 6.24 Another shareholder had observed two occasions whereby there were high volume of share buy-backs by the Company which subsequently caused the Company's share price to increase. The shareholder also commented on a potential insider trading violation when the Company and its Directors both simultaneously bought back the Company's shares. Based on the Company's NAV and share price as of the date of the AGM, he noticed that there was a massive discount on the share price which was trading at less than its NAV. He also felt that the Group's properties seemed to be overvalued. Concerning the share buy-back exercise, the shareholder stated that as a whole, shareholders do not benefit from the share purchases and hence, the best option is to distribute cash dividend to the shareholders.
- 6.25 As there were no further questions, the Chairman requested the shareholders to cast their votes and the results for Resolution 1 were as follows:

RESOLUTION 1

Receipt and Adoption of the Directors' Statement and Audited Financial Statements for the year ended 31 December 2018 and the Auditors' Report thereon.

Percentage of Votes "For" is 99.63% representing 532,123,676 shares.

Percentage of Votes "Against" is 0.37% representing 1,972,909 shares.

The Chairman declared that the following resolution was passed:

IT WAS RESOLVED that the Directors' Statement, Auditors' Report and the Audited Financial Statements for the financial year ended 31 December 2018, be hereby received and adopted.

7 DECLARATION OF A FIRST AND FINAL 1-TIER TAX EXEMPT DIVIDEND AND A SPECIAL 1-TIER TAX EXEMPT DIVIDEND

- 7.1 The Chairman tabled the motion for the approval of the first and final 1-tier tax exempt dividend at 1 Singapore cent per ordinary share and the 1-tier tax exempt special dividend at 0.3 Singapore cent per ordinary share for the year ended 31 December 2018.
- 7.2 As there were no further questions, the Chairman requested the shareholders to cast their votes and the results for Resolution 2 were as follows:

RESOLUTION 2

Declaration of First and Final 1-Tier Dividend of 1 Singapore cent per Ordinary Share and 1-Tier Tax Exempt Special Dividend at 0.3 Singapore cent per Ordinary Share

Percentage of Votes "For" is 99.60% representing 532,381,532 shares.

Percentage of Votes "Against" is 0.40% representing 2,160,849 shares.

The Chairman declared that the following resolution was passed:

IT WAS RESOLVED that the first and final 1-tier tax exempt dividend at 1 Singapore cent per ordinary share and the 1-tier tax exempt special dividend at 0.3 Singapore cent per ordinary share for the year ended 31 December 2018 be and is hereby approved.

8 APPROVAL OF DIRECTORS' FEES OF \$316,000 FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2019, TO BE PAID QUARTERLY IN ARREARS

8.1 The Chairman tabled the motion for the Directors' Fees of \$316,000 for the financial year ending 31 December 2019 to be paid quarterly in arrears for approval.

8.2 In answering a shareholder's question on why the Directors' Fees had increased by \$48,500, the Chairman replied that the increase was due to his appointment as a Non-Executive Independent Chairman. He assured shareholders that benchmarking was used to determine the Directors' Fees which was conducted in a transparent manner. The shareholder stated that he had no issue with the increase in the Directors' Fees.

8.3 A shareholder suggested that the Directors' Fees for the two NEDs, Mr Steven Lim and Mr Adrian Chan be set at a minimum of \$120,000 per annum in view of their wealth of experience, contributions to the Company as well as benefiting the minority shareholders. As such, for the sake of fairness, he felt that the Directors' Fees should be reviewed and adjusted accordingly.

8.4 As there were no further questions, the Chairman requested the shareholders to cast their votes and the results for Resolution 3 were as follows:

RESOLUTION 3

Approval of Directors' Fees of \$316,000

Percentage of Votes "For" is 99.77% representing 533,510,820 shares.

Percentage of Votes "Against" is 0.23% representing 1,236,149 shares.

The Chairman declared that the following resolution was passed:

IT WAS RESOLVED that the Directors' Fees of \$316,000 for the financial year ending 31 December 2019, to be paid quarterly in arrears be and is hereby approved.

9 RE-ELECTION OF MR CHEONG PIN CHUAN AS DIRECTOR

9.1 The Chairman tabled the motion for the re-election of Mr Cheong Pin Chuan as a Director retiring under Regulation 104 of the Constitution of the Company.

- 9.2 As there were no questions, the Chairman requested the shareholders to cast their votes and the results for Resolution 4 were as follows:

RESOLUTION 4

Re-election of Mr Cheong Pin Chuan as Director

Percentage of Votes "For" is 99.72% representing 532,659,592 shares.

Percentage of Votes "Against" is 0.28% representing 1,471,188 shares.

The Chairman declared that the following resolution was passed:

IT WAS RESOLVED that Mr Cheong Pin Chuan who retires in accordance with Regulation 104 of the Company's Constitution, be and he is hereby re-elected as Director of the Company.

10 **RE-ELECTION OF MR CHOW YEW HON AS DIRECTOR**

- 10.1 The Chairman tabled the motion for the re-election of Mr Chow Yew Hon as a Director retiring under Regulation 104 of the Constitution of the Company.

- 10.2 With regard to a shareholder's comment on how Mr Chow exercises his independence in mind and in resolving conflicts in terms of the remuneration of the EDs, the Chairman replied that the Nominating Committee was charged with the responsibility for undertaking the performance evaluation of the Board. He assured the shareholders that there were extensive discussions on the remuneration of the EDs and Mr Chow had helped to moderate the increase in the EDs' remuneration, not only on just one isolated occasion but on many occasions. No matter how you looked at it, Mr Chow had discharged his duties admirably. The Chairman added that Mr Chow has also done a good job in advocating for a special dividend of 0.3 cent to be declared to the shareholders for this year.

- 10.3 Mr Chow added that prior to the appointment of a Non-Executive Independent Chairman in the Company, his role was to act as a Lead Independent Director whereby he has coordinated and chaired the Independent Directors' ("IDs") meetings discussing topics relating to EDs' remuneration, revaluation gains and thereafter bringing the IDs' concerns to the EDs for their attention.

- 10.4 As there were no questions, the Chairman requested the shareholders to cast their votes and the results for Resolution 5 were as follows:

RESOLUTION 5

Re-election of Mr Chow Yew Hon as Director

Percentage of Votes "For" is 99.69% representing 531,599,946 shares.

Percentage of Votes "Against" is 0.31% representing 1,643,489 shares.

The Chairman declared that the following resolution was passed:

IT WAS RESOLVED that Mr Chow Yew Hon who retires in accordance with Regulation 104 of the Company's Constitution, be and he is hereby re-elected as Director of the Company.

11 **RE-APPOINTMENT OF AUDITORS**

- 11.1 The Chairman tabled the motion for the re-appointment of KPMG LLP as Auditors of the Company and to authorize the Directors to fix their remuneration.
- 11.2 As there were no questions, the Chairman requested the shareholders to cast their votes and the results for Resolution 6 were as follows:

RESOLUTION 6

Re-appointment of KPMG LLP as the Company's Auditor

Percentage of Votes "For" is 99.70% representing 533,137,650 shares.

Percentage of Votes "Against" is 0.30% representing 1,595,560 shares.

The Chairman declared that the following resolution was passed:

IT WAS RESOLVED that KPMG LLP, Public Accountants and Chartered Accountants, Singapore, be re-appointed as the Company's Auditors, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors.

12 **AUTHORITY TO ALLOT AND ISSUE SHARES AND CONVERTIBLE SECURITIES**

- 12.1 The Chairman tabled the motion for the authority to Directors to allot and issue shares and convertible securities in the capital of the Company.
- 12.2 As there were no questions, the Chairman requested the shareholders to cast their votes and the results for Resolution 7 were as follows:

RESOLUTION 7

General Authority to Allot and Issue Shares and Convertible Securities in the Capital of the Company

Percentage of Votes "For" is 97.03% representing 518,747,708 shares.

Percentage of Votes "Against" is 2.97% representing 15,856,067 shares.

The Chairman declared that the following resolution was passed:

IT WAS RESOLVED that pursuant to Section 161 of the Companies Act, Chapter 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to issue shares and convertible securities in the capital of the Company, including additional convertible securities issued pursuant to adjustments and new shares arising from the conversion of convertible securities and additional convertible securities (whether by way of rights, bonus or otherwise or in pursuance of any offer, agreement or option made or granted by the Directors during the continuance of this authority which would or might require shares or convertible securities to be issued during the continuance of this authority or thereafter) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit (notwithstanding that such issue of shares pursuant to the offer, agreement or option or the conversion of the convertible securities may occur after the expiration of the authority contained in this Resolution), provided that the aggregate number of shares and convertible securities to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, and provided further that where shareholders of the Company with

registered addresses in Singapore are not given an opportunity to participate in the same on a pro-rata basis, then the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to all existing shareholders of the Company must not exceed 15% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, and for the purpose of this Resolution, the percentage of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company shall be based on the Company's total number of issued shares excluding treasury shares and subsidiary holdings of the Company at the time this Resolution is passed (after adjusting for (i) new shares arising from the conversion or exercise of convertible securities, (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST and (iii) any subsequent bonus issue, consolidation or subdivision of shares), and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier, and in this Resolution, "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST.

13 **RENEWAL OF THE SHARE BUY-BACK MANDATE**

13.1 The Chairman tabled the motion for the approval on the renewal of the Share Buy-Back Mandate to allow the Company to buy-back up to 10% of its issued shares.

13.2 As there were no questions, the Chairman requested the shareholders to cast their votes and the results for Resolution 8 were as follows:

RESOLUTION 8
Renewal of the Share Buy-Back Mandate

Percentage of Votes "For" is 97.09% representing 519,083,612 shares.

Percentage of Votes "Against" is 2.91% representing 15,550,186 shares.

The Chairman declared that the following resolution was passed:

IT WAS RESOLVED that the Directors of the Company be and are hereby authorised to make purchases from time to time (whether by way of on-market purchases or off-market purchases in accordance with an equal access scheme) of up to 10% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company as at the date of this Resolution at any price up to but not exceeding the Maximum Price (as defined in the "Guidelines on Share Purchases" (the "Guidelines") set out in the Appendix of the Addendum dated 15 April 2019 to shareholders of the Company (being an addendum to the Annual Report of the Company for the year ended 31 December 2018)) in accordance with the Guidelines and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier, and in this Resolution, "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST.

The Chairman concluded the business of the 51st AGM of Hong Fok Corporation Limited and thanked the shareholders for their attendance. The Chairman declared the AGM closed at 11.30 a.m.

Confirmed By:
Chan Pengee, Adrian
Chairman