

HONG FOK CORPORATION LIMITED

(Company Registration No. 196700468N)
(Incorporated in the Republic of Singapore)

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) AND A SHAREHOLDER ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

The Board of Directors (the "Board") of Hong Fok Corporation Limited (the "Company"), and together with its subsidiaries (the "Group"), refers to questions raised by the Securities Investors Association (Singapore) ("SIAS") and a shareholder in relation to the Company's annual report for the financial year ended 31 December 2025. The questions raised by SIAS, the shareholder and the Company's corresponding responses are set out below:

Questions and Answers from/to SIAS

- Q1.** Over the past year, the group sold a further four strata units of the residential units at Concourse Skyline, leaving 38 residential strata units unsold. Revenue from sale of completed development properties has declined materially since FY2022:

FY2021 - \$25.5 million [should be \$23.9 million] (10 strata units with an estimated strata area of 1,091 sqm sold)

FY2022 - \$75.6 million (10 strata units with an estimated strata area of 3,071 sqm sold)

FY2023 - \$23.4 million (6 strata units with an estimated strata area of 960 sqm sold)

FY2024 - \$19.5 million (9 strata units with an estimated strata area of 923 sqm sold)

FY2025 - \$10.9 million (4 strata units with an estimated strata area of 470 sqm sold)

Given that the land has a 99-year lease commencing 13 March 2008, the remaining lease tenure is steadily declining, which may have implications for asset value and marketability.

- (i) To what extent has the pace of monetisation affected realised prices and the underlying value of the remaining units? Has management observed any measurable impact from lease decay on buyer demand or pricing?**

The pace of monetisation has not adversely affected realised prices or the underlying value of the unsold units. Demand has primarily been driven by price and value considerations, rather than by lease-tenure. The sales prices for the past few years for the sold units have been holding up well, with a reasonable profit margin recognised.

- (ii) How does management balance the trade-off between achieving optimal pricing and accelerating sell-through? What are the key constraints to clearing the remaining inventory?**

We prioritise optimal value realisation over speed while remaining responsive to market conditions. A majority of the unsold units are generating rental income, providing additional cash flow support, and enhancing appeal to investors. Key constraints are competing supply, market demand, and evolving consumer preferences.

- (iii) Has the board established a clear timeline or target for the full monetisation of the remaining units? If not, what criteria or decision framework is used to determine the pace of sales and capital recycling?**

The Board does not consider setting a fixed monetisation timeline to be strategic. There is no intention to delay sales, and we remain committed to sell when market conditions are favourable. Decisions are guided by achievable market pricing and prevailing demand to maximise value.

- Q2.** On 12 February 2025, the group acquired five units in International Building for a cash consideration of \$27.8 million and incurred acquisition-related costs of approximately \$1.77 million. These costs have been capitalised and included in 'Investment Properties'.

7 INVESTMENT PROPERTIES

Group	2025 \$'000	2024 \$'000
At 1 January	3,497,522	3,466,696
Acquisition	29,573	-
Additions arising from subsequent expenditure recognised in carrying amount	2,524	498
Changes in fair value	16,194	11,841
Translation differences	(28,242)	18,487
At 31 December	3,517,571	3,497,522

(Source: company annual report)

The acquired units have a total floor space of 162 sqm and were previously held by third parties on 999-year leasehold tenure.

- (i) **Based on the disclosed consideration and floor area, can management confirm that the implied acquisition price is approximately \$16,000 per square foot? What comparable transactions, valuation benchmarks or underwriting assumptions supported this pricing?**

Yes, the acquisition price is approximately \$16,000 per square foot. The acquisition represented a timely strategic opportunity to secure 100% ownership of the asset. Like en-bloc redevelopment-driven transactions, premiums are typically required to secure full ownership. The acquisition was evaluated based on the overall strategic value of the freehold asset to the Group rather than on a standalone market comparison of comparable/individual units. Full control eliminates ownership fragmentation and consent risks, enabling greater flexibility and faster decision-making to respond to future market and redevelopment opportunities.

- (ii) **Considering the significant premium paid, what specific value creation initiatives has management identified, such as asset enhancement initiatives, redevelopment or change of use? What are the key milestones, risks, and return thresholds?**

The Group has consistently evaluated ways to optimise the asset, and so achieving full ownership removes prior constraints and expands the available options, allowing management to optimise use and returns at the appropriate time and under favourable market conditions. The Group will proceed cautiously with any redevelopment of International Building only after thorough evaluation of all options available.

- Q3.** At the annual general meeting to be held on 30 April 2026, Mr Chan Pengee, Adrian will retire pursuant to Regulation 104 of the company's constitution and has offered himself for re-election. Mr Chan Pengee, Adrian was first appointed to the board on 1 January 2015 and was re-designated as non-executive non-independent chairman on 29 April 2024 after reaching the nine-year tenure limit for an independent director.

The biography of the director is set out on page 3 of the annual report.

The board has stated its commitment to maintaining high standards of corporate governance. Against this backdrop, the chairman's non-independent status, the company's deviation from the Code of corporate governance and the current board composition warrant closer examination.

- (i) **Given the chairman’s non-independent status, can the board explain how it ensures that governance standards remain, and are perceived to remain, robust, particularly in areas such as oversight of management, the setting of board agendas, and board renewal? How does the chairman uphold independent judgement and ensure effective challenge within the board? Has the chairman made himself available to feedback from minority shareholders, and has such feedback been incorporated into board deliberations?**

The board has not met the requirement of Provision 2.2 of the Code of corporate governance, which recommends that a majority of the board be independent where the chairman is not independent.

- (ii) **What is the board’s concrete plan and timeline to address this deviation? What progress has been made in identifying and appointing additional independent directors or a new independent chairman, and what criteria are being prioritised in this process?**
- (iii) **To help shareholders make an informed decision on the director’s re-election, can the chairman provide specific examples of his contributions since appointment, particularly in strengthening governance, guiding strategy, and overseeing management performance? How does the chairman evaluate his own effectiveness, and how has he influenced key areas such as executive remuneration discipline and alignment with shareholder returns?**

It is not unusual to have a Non-Independent, Non-Executive Chair (“NINEC”). In fact, the 2025 Singapore Directorship Report published by Singapore Institute of Directors showed that of the 615 SGX-listed companies, a good 20% of them have NINECs. It is indisputable that having a NINEC is better from a corporate governance perspective than having an Executive Chair, which even more SGX listed companies (44%) possess. Before Mr Chan assumed chairmanship, the Company had Executive Chairs.

As far as the Chairman is concerned, he acknowledges that he is required to be treated as non-independent only because of the 9-years rule in the SGX Listing Manual. In his mind and by his conduct, he carries himself and behaves with the same independent streak as he has always done. The test of independence in the Code is one of conduct, character and judgement and he does not feel that he is any less independent just because he has served for more than 9 years.

To answer the question on matters such as strengthening governance, guiding strategy, oversight of management, the setting of board agendas, and board renewal, he exercises judgement on these matters objectively and in cooperation with the other Independent Directors that chair the Audit and Risk Management Committee, the Nominating Committee and the Remuneration Committee and he believes that the Board is discharging its responsibilities well. The Chairman has made himself available to feedback from non-controlling shareholders, especially at Annual General Meetings in the past, and has incorporated such feedback into subsequent Board deliberations.

In any case, there is also a Lead Independent Director (“Lead ID”) who can provide leadership in situations where the Chairman is conflicted. The Lead ID is available to shareholders especially the non-controlling shareholders when they have concerns through which communication with the Chairman or the Management is inappropriate or inadequate.

The Board believes that it has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company. This has been elaborated upon in quite some detail on pages 12 to 14 of the 2025 Annual Report.

Questions and Answers from/to Shareholder

- Q1.** The Share Purchase Mandate was originally approved by shareholders on 30 June 1999, and renewed every year since. However, it was not until FY2018 that the company first bought back its shares, some 5,241,500 or a mere 6.1% of the approved mandate. From FY2018 to FY2025, based on the annual reports, the percentage of shares acquired ranged from a low of 0.12% to a high of 29.4% of the 10% mandate. No shares were purchased in FY2024.

While I can understand the need for flexibility to manage the mandate, can the management please explain why there was such a huge disparity in the exercise of the mandate? And given the rather underwhelming track record so far, I think many small shareholders like me would prefer the funds to be spent on doubling the dividends instead.

The share purchase mandate is intended to confer flexibility upon the Directors to purchase shares when circumstances permit, with the objective of enhancing the earnings per share of the Company and its subsidiaries (collectively, the "Group") and providing the Company with an efficient mechanism to better manage its capital structure, dividend payout and cash reserves. Share purchases also help buffer short-term share price volatility and offset the effects of short-term speculation, which bolsters shareholder confidence.

The Company had been actively conducting share purchases in the past, especially during the COVID-19 period, but it had scaled down in the recent years before the annual general meeting held in April 2025, to maintain price stability. The Company continues to adopt a conservative approach in managing risks and maintain a consistent track record of paying stable and consistent dividends regardless of market conditions. During the annual general meeting held in April 2025, the Company informed shareholders that it would consider resuming share purchases when the time is appropriate/right, and in the last 12 months before the upcoming annual general meeting in 2026, the Company has made purchases of its shares.

As regards the declaration of dividends, the Company has been consistent with dividend payments over the years and has been providing stable, consistent and sustainable annual dividends. The Company's Dividend Policy, details of which are available on its website, provides that dividends are determined based on the Company's performance, considering the resources needed for the Company's continuing operations and future plans.

- Q2.** What are the criteria used to undertake the share buyback: price, volume availability, market sentiment etc? Besides the 5% hard cap on price, are there any other restrictions, such as volume?

The Directors exercise their discretion in relation to the exercise of the share purchase mandate, and will consider several criteria including (non-exhaustively), the prevailing market price of the shares relative to the Company's net asset value per share, the Company's available funds position and working capital requirements, prevailing market conditions including the trading prices and volumes, and trading trends.

In relation to the Company's share purchase mandate, there are various limits and considerations. These include the prescribed maximum prices, the maximum number of shares that can be purchased pursuant to the mandate, the "black-out" periods during which shares may not be purchased, and that the Directors should be mindful that the share purchases should not cause market illiquidity or adversely affect the listing status of the Company. Overall, the Company will, in exercising the share purchase mandate, be mindful of the need to avoid unduly affecting the orderly trading of the Company's shares on the SGX-ST.

- Q3.** Does the management use the mandate to signal to the market that the company is undervalued? And if so, and aside from the NAV, what is the management's fair value of the company? Given that the company's share price is perpetually trading at a discount to the fair value/NAV, what would the management consider is an acceptable and fair discount? In other words, what is the highest price (or the lowest discount) the management is prepared to pay to acquire the company's shares under the mandate?

The Company's mission and vision is to build and maintain a long-term sustainable real-estate related business. In the Company's annual report for the financial year ended 31 December 2025 ("Annual Report"), there is a review of the Group's performance for that financial year, including its net current assets and net asset value per share. Notwithstanding this, the trading of the Company's shares is generally carried out on the market between investors, this is independent of the Company, and the market may or may not be directly influenced by the Group's performance and underlying assets. Please refer to the response for Q2 for some of the criteria and considerations in relation to the exercise of the Company's share purchase mandate.

Moreover, the Company has noted that having a low price-to-book value is not uncommon among property companies.

- Q4.** Mr Cheong Pin Chuan bought some shares in 2022 at between \$0.885 to \$0.93. Mr Cheong Sim Eng paid between \$0.74 and \$1.05 in the same year. He also bought some shares in 2025 at \$0.75. Any plans by either CEO to buy again in the open market, for there is no better way to highlight the attractiveness of the company's shares?

The Company appreciates the shareholder's recognition that personal share purchases by the Joint Chief Executive Officers may reflect their confidence in the Company. It should also be appreciated that the Directors hold shares of the Company in their personal capacity, and any decision by a Director to purchase or sell his shares is a personal investment decision made by that Director in his capacity as a shareholder. The Company is not in a position to comment on this.

- Q5.** What is the net cash/near cash position of the company? Does it have enough funds to pay for the full 10% mandate if necessary? If not, could or should the company draw on its credit lines to finance it?

Details of the Company's financial position can be found in the audited financial statements set out in the Company's Annual Report. As part of its business operations, the Company seeks to manage its cash effectively. The Company does not specifically set aside a cash balance for the purpose of financing share purchases. The Company would, depending on its cash position at the relevant time, utilise its available cash and/or borrowings from the existing credit facilities of the Group to finance share purchases. The Directors shall not exercise the Share Purchase Mandate to such an extent as would have a material adverse effect on the financial condition of the Company, the working capital requirements of the Group or the gearing levels which are from time to time, in the opinion of the Directors, appropriate for the Group.

- Q6.** Is there a need for the company to raise funds in the near future? If not, are there any plans to cancel the treasury shares?

Currently, the Company has no specific need and no specific plans to raise additional funds. The Board has not taken any decision whether or not to cancel the Company's treasury shares, and will consider all relevant factors before doing so at the relevant time.

- Q7.** Currently about 30.4% of the company's shares are held by the public. How much of the balance 69.6% are held by parties considered acting in concert under the Singapore Takeover and Merger code?

The Company's Annual Report and the addendum thereto dated 8 April 2026 ("Addendum") sets out the directors' interests in the shares of the Company based on information in the Register of Directors' Shareholdings of the Company, and the substantial shareholders' interests in the shares of the Company based on information in the Register of Substantial Shareholders. Under the Singapore Code on Take-Overs and Mergers ("Takeover Code"), siblings are presumed to be acting in concert. Accordingly, each of Ms Cheong Hooi Kheng, Mr Cheong Pin Chuan, Mr Cheong Sim Eng, and Mr Cheong Kim Pong, who are siblings, will be presumed (until established otherwise) to be acting in concert. However, the definition of "acting in concert" in the Takeover Code is non-exhaustive, and actual concert party arrangements are a matter of private information pertaining to the shareholders concerned. The Company is not in a position to comment on the shareholding interests of any shareholder or group of shareholders.

- Q8.** Beside the stated rationale of the share buyback, some may view it as a cost effective way for the Cheong family to eventually privatize the company. If the same 10% mandate is fully utilized for two consecutive years, there is a real risk that SGX Listing Rule 723 on free float may be breached. Also, what are the implications arising from the purchase of shares under Rule 14 of the Takeover and Mergers code? Can the management provide an illustration as per that given on the 7 April 2008? (see attached)

The 10% limit under the share purchase mandate refers to 10% of the total number of issued shares (excluding treasury shares) as at the date the resolution authorising the mandate is passed (the "Available Shares"). Year-on-year, as more shares are bought back, the total number of Available Shares decreases and the number of shares available for purchase under the share purchase mandate will also correspondingly decrease. The Directors will use their best endeavours to ensure that the Company does not effect a purchase of shares which would result in the number of shares remaining in the hands of the public falling to such a level as to cause market illiquidity or adversely affect the listing status of the Company. In any case, the public float has increased from 29.23% as set out in the addendum issued in 2008 to 30.40% as set out in the Addendum.

For the Takeover Code implications arising from purchases of shares, please refer to Section 7 of the Addendum.

BY ORDER OF THE BOARD

CHEONG HOOI KHENG
Director
24 April 2026