

HONG FOK CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number 196700468N)

Directors:

Cheong Pin Chuan (Joint Chairman and Joint Managing Director)
Cheong Sim Eng (Joint Chairman and Joint Managing Director)
Cheong Hooi Kheng
Chow Yew Hon (Lead Independent Director)
Lim Jun Xiong Steven
Chan Pengee, Adrian

Registered Office:

300 Beach Road #41-00
The Concourse
Singapore 199555

Date: 13 April 2018

To: The Shareholders of Hong Fok Corporation Limited

Dear Sir/Madam

ADDENDUM RELATING TO THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE (THE "ADDENDUM")

1 INTRODUCTION

- 1.1 Hong Fok Corporation Limited (the "**Company**") has on 13 April 2018 issued a notice convening the 50th annual general meeting (the "**50th AGM**") of the shareholders of the Company (the "**Shareholders**") to be held on Monday, 30 April 2018 ("**Notice of the 50th AGM**"). The proposed resolution number 8 in the Notice of the 50th AGM relates to the renewal of a general mandate (the "**Share Purchase Mandate**") to authorise the directors of the Company ("**Directors**") to make purchases of ordinary shares in the capital of the Company ("**Shares**") representing up to a maximum of ten per cent. (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings¹) as at the date on which the resolution authorising the same is passed, at a price of up to but not exceeding the Maximum Price (as defined in section 3.3 below).
- 1.2 The purchase of Shares by the Company will be made in accordance with the constitution of the Company (the "**Constitution**"), the "Guidelines on Share Purchases" set out in the Appendix hereto (the "**Guidelines**"), the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Companies Act, Chapter 50 (the "**Companies Act**") and such other laws and regulations as may for the time being be applicable.
- 1.3 The Constitution expressly permits the Company to purchase or otherwise acquire Shares issued by it. The Share Purchase Mandate was originally approved by Shareholders on 30 June 1999 and Shareholders had approved the renewal of the mandate at the previous annual general meetings of the Company held on 31 May 2000, 18 May 2001, 20 May 2002, 20 May 2003, 30 April 2004, 22 April 2005, 28 April 2006, 26 April 2007, 25 April 2008, 29 April 2009, 28 April 2010, 28 April 2011, 26 April 2012, 29 April 2013, 30 April 2014, 30 April 2015, 29 April 2016 and 28 April 2017. The mandate renewed on 28 April 2017 will expire on the date of the forthcoming 50th AGM to be held on 30 April 2018. If the proposed resolution for the renewal of the Share Purchase Mandate is approved at the 50th AGM, the 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 ("**AGM**") is held or is required by law to be held, whichever is the earlier.
- 1.4 The purpose of this Addendum is to provide information relating to and to explain the rationale for the proposed renewal of the Share Purchase Mandate.
- 1.5 The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Addendum. If a Shareholder is in any doubt as to the action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

¹ The term "subsidiary holdings" shall have the same meaning ascribed to it in the Listing Manual, and is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act.

2 RATIONALE

- 2.1 The Share Purchase Mandate will give Directors the flexibility to purchase Shares when circumstances permit, with the objective of enhancing the earnings per share of the Company and its subsidiaries (the “**Group**”). Such flexibility will also allow the Directors to better manage the Company’s capital structure, dividend payout and cash reserves. Share purchases will also help buffer short-term share price volatility and off-set the effects of short-term speculators and investors and, in turn, bolster shareholder confidence and employee morale.
- 2.2 The Share Purchase Mandate will thus provide the Company with an efficient mechanism to enhance return to Shareholders when circumstances permit.

3 AUTHORITY AND LIMITS OF SHARE PURCHASE MANDATE

- 3.1 The proposed Share Purchase Mandate, when renewed, will authorise Directors to purchase up to a maximum of ten per cent. (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date on which the resolution authorising the same is passed. Treasury shares and subsidiary holdings will be disregarded for the purposes of computing the 10% limit. As at 26 March 2018, being the latest practicable date prior to the issue of this Addendum (the “**Latest Practicable Date**”), the Company had no treasury shares and no subsidiary holdings.
- 3.2 Purchases of Shares can be effected by the Company in either one or both of the following ways:
- (a) by way of an on-market purchase on the SGX-ST (“**On-Market Purchase**”). On-Market Purchase means a purchase of Shares transacted through the SGX-ST’s trading system; and/or
 - (b) by way of an off-market acquisition in accordance with an equal access scheme as defined in Section 76C of the Companies Act (“**Off-Market Purchase**”). The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Constitution, the Listing Manual of the SGX-ST and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to an Off-Market Purchase scheme or schemes. The Off-Market Purchase scheme must satisfy all the following conditions:
 - (i) the offers for the purchase or acquisition of Shares under the scheme shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
 - (ii) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and
 - (iii) the terms of all the offers are the same (except that there shall be disregarded differences in consideration attributable to the fact that the offers relate to Shares with different accrued dividend entitlements, differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid and differences in the offers introduced solely to ensure that each person is left with a whole number of Shares).
- 3.3 The purchase price (excluding brokerage, commission, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors. The purchase price to be paid for the Shares as determined by the Directors must not exceed the maximum price (“**Maximum Price**”) set out below:
- (a) in the case of an On-Market Purchase, five per cent. (5%) above the average of the closing market prices of the Shares over the last five (5) days on which the SGX-ST is open for securities trading (“**Market Days**”) and on which transactions in the Shares were recorded, before the day on which the On-Market Purchase was made by the Company, which is deemed to be adjusted for any corporate action that occurs after the relevant period of five (5) Market Days; and
 - (b) in the case of an Off-Market Purchase, ten per cent. (10%) above the average of the closing market prices of the Shares over the last five (5) Market Days on which transactions in the Shares were recorded, before the day on which the Company makes an announcement of an offer under the Off-Market Purchase scheme.

- 3.4 The authority conferred on the Directors by the Share Purchase Mandate shall, unless varied or revoked by the Company in general meeting, continue in force until the next AGM is held or is required by law to be held, whichever is the earlier.
- 3.5 The total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date is 870,612,140 Shares and the exercise in full of the Share Purchase Mandate would result in the purchase of up to approximately 87,061,214 Shares.

4 NO SHARES PURCHASED IN THE PREVIOUS TWELVE MONTHS

The Company did not purchase any Shares in the twelve (12) months preceding the Latest Practicable Date.

5 SOURCES OF FUNDS

- 5.1 The Company may only apply funds for the purchase of Shares in accordance with the Constitution, the Guidelines and the applicable laws and regulations in Singapore. The Company may not purchase its Shares for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST.
- 5.2 The Company may purchase or acquire its Shares out of the Company's capital or profits so long as the Company is solvent. This means that there must be no ground on which the Company could be found to be unable to pay its debts and it will be able to pay its debts as they fall due during the period of twelve (12) months immediately after the date of the payment. In addition, the value of the Company's assets must not be less than the value of its liabilities (including contingent liabilities) before and after it purchases or acquires its Shares. The Company intends to use existing sources of funds (which include borrowings from existing credit facilities of the Group) to finance its purchase or acquisition of Shares. The Company does not intend to arrange for additional credit facilities (other than the Company's financing of its operation in the usual course of its business) for the purchase of Shares.

6 FINANCIAL IMPACT

- 6.1 The Constitution prescribes that the Company may deal with the purchased Shares in such manner as may be permitted by, and in accordance with, the Companies Act. Accordingly, the Company may elect, in respect of Shares which are purchased or acquired by the Company, to hold such purchased or acquired Shares as treasury shares which may be used for the purpose stated in the Companies Act and, unless such Shares are held as treasury shares, they will be deemed to be cancelled immediately on purchase or acquisition. On the cancellation of a Share, the rights and privileges attached to that Share expire.
- 6.2 Treasury shares are ordinary shares or stocks purchased or otherwise acquired by a company in accordance with Sections 76B to 76G of the Companies Act. Treasury shares may be held by the Company or may be sold, transferred or cancelled in accordance with Section 76K of the Companies Act. Under Section 76K(1C) of the Companies Act, where the purchased or acquired Shares are held as treasury shares, the Company may at any time:
- (a) sell the Shares (or any of them) for cash;
 - (b) transfer the Shares (or any of them) for the purposes of or pursuant to any share scheme, whether for its employees, directors or other persons;
 - (c) transfer the Shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;
 - (d) cancel the Shares (or any of them); or
 - (e) sell, transfer or otherwise use the treasury shares for such other purposes as the Minister may by order prescribe.

If the purchased Shares are cancelled, the Company shall:

- (i) reduce the amount of its share capital where the Shares were purchased or acquired out of the capital of the Company;
- (ii) reduce the amount of its profits where the Shares were purchased or acquired out of the profits of the Company; or
- (iii) reduce the amount of its share capital and profits proportionately where the Shares were purchased or acquired out of both the capital and the profits of the Company,

by the total amount of the purchase price paid by the Company for the Shares cancelled.

6.3 The financial impact on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time and whether the Shares were purchased or acquired out of the profits or the capital of the Company.

For illustrative purposes only, assuming:

- (a) the Share Purchase Mandate had been effective on 1 January 2017;
- (b) the Company had purchased 87,061,214 Shares (representing approximately ten per cent. (10%) of the aggregate of the Shares (excluding treasury shares and subsidiary holdings) in issue as at the Latest Practicable Date); and
- (c) the purchased Shares were acquired out of profits and cancelled,

the financial effects on the audited financial accounts of the Group and the Company for the financial year ended 31 December 2017 would have been as follows:

(i) On-Market Purchase

	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
As at				
31 December 2017				
Total Equity (S\$'000)	2,249,766	2,188,639	865,342	789,120
Net Tangible Assets ("NTA") (S\$'000)	1,710,393	1,649,266	865,342	789,120
Current Assets (S\$'000)	298,252	313,347	492,381	418,379
Current Liabilities (S\$'000)	249,518	251,738	360,341	362,561
Total Borrowings (S\$'000)	805,819	879,821	220,000	220,000
Number of Shares	693,022,508(*)	623,720,257(*)	870,612,140	783,550,926
	(*) – excluding ordinary shares held by an investee			
Financial Ratios				
NTA per Share (cents)	246.80	264.42	99.39	100.71
Profit per Share (cents)	25.69	28.19	70.66	78.23
Gearing (times)	0.36	0.40	0.25	0.28
Current Ratio (times)	1.20	1.24	1.37	1.15

(ii) Off-Market Purchase

	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
As at				
31 December 2017				
Total Equity (S\$'000)	2,249,766	2,185,762	865,342	785,533
NTA (S\$'000)	1,710,393	1,646,389	865,342	785,533
Current Assets (S\$'000)	298,252	314,057	492,381	414,897
Current Liabilities (S\$'000)	249,518	251,843	360,341	362,666
Total Borrowings (S\$'000)	805,819	883,303	220,000	220,000
Number of Shares	693,022,508(*)	623,720,257(*)	870,612,140	783,550,926
(*) – excluding ordinary shares held by an investee				
Financial Ratios				
NTA per Share (cents)	246.80	263.96	99.39	100.25
Profit per Share (cents)	25.69	28.18	70.66	78.21
Gearing (times)	0.36	0.40	0.25	0.28
Current Ratio (times)	1.20	1.25	1.37	1.14

Notes:

- 1 The purchase price for an On-Market Purchase is assumed to be S\$0.85 per Share (being the price equivalent to five per cent. (5%) above the average of the closing market prices of the Shares for the five (5) Market Days immediately preceding the Latest Practicable Date), which is equivalent to S\$74,002,032 for the 87,061,214 Shares purchased.
- 2 The purchase price for an Off-Market Purchase is assumed to be S\$0.89 per Share (being the price equivalent to ten per cent. (10%) above the average of the closing market prices of the Shares for the five (5) Market Days immediately preceding the Latest Practicable Date), which is equivalent to S\$77,484,480 for the 87,061,214 Shares purchased.
- 3 The above is calculated on the assumption that the Shares purchased are funded by the borrowings from existing credit facilities of the Group at an interest rate of 3.0% per annum.
- 4 NTA is equal to total assets less total liabilities after non-controlling interests.
- 5 Profit per Share is equal to profit attributable to owners of the Company divided by the number of Shares.
- 6 Gearing is equal to total borrowings divided by total equity.
- 7 Current ratio is equal to current assets divided by current liabilities.

Shareholders should note that the financial effects set out above, based on the respective aforementioned assumptions, are for illustration purposes only. In particular, it is important to note that the above analysis is based on historical audited numbers for the financial year ended 31 December 2017, and is not necessarily representative of future financial performance.

- 6.4 The Company will take into account both financial factors (for example, funds position and working capital requirement) and non-financial factors (for example, prevailing share market conditions) in assessing the relative impact of a purchase of Shares before execution. The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it 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.

7 TAKE-OVER CODE IMPLICATIONS ARISING FROM PURCHASE OF SHARES

- 7.1 According to Appendix 2 of the Singapore Code on Take-overs and Mergers (the “**Take-over Code**”), the resultant increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him, following the purchase of Shares by the Company, will be treated as an acquisition for the purposes of Rule 14 (“**Rule 14**”) of the Take-over Code. Consequently, depending on the number of Shares purchased by the Company and the total number of Shares issued by the Company at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate effective control of the Company and become obligated to make a takeover offer under Rule 14.
- 7.2 Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons will be presumed to be acting in concert, namely (a) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts); and (b) a company, its parent company, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with one another. For this purpose, a company is an associated company of another company if the second company owns or controls at least twenty per cent. (20%) but not more than fifty per cent. (50%) of the voting rights of the first-mentioned company.
- 7.3 The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Rule 14 and Appendix 2 of the Take-over Code.
- 7.4 In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to thirty per cent. (30%) or more, or if the voting rights of such Directors and their concert parties fall between thirty per cent. (30%) and fifty per cent. (50%) of the Company’s voting rights, the voting rights of such Directors and their concert parties would increase by more than one per cent. (1%) in any period of six (6) months.
- 7.5 Based on the Register of Directors’ Shareholdings of the Company, as at the Latest Practicable Date, the shareholdings of the Directors before and (assuming (a) the Company purchases the maximum amount of ten per cent. (10%) of the total number of the issued Shares (excluding treasury shares and subsidiary holdings); and (b) there is no change in the number of Shares held or deemed to be held by the Directors) after the purchase by the Company of ten per cent. (10%) of the total number of the issued Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date pursuant to the Share Purchase Mandate were/will be as follows:

Name of Director	Shareholdings Before Share Purchase			Shareholdings After Share Purchase		
	Direct/ Beneficial Interest	Deemed Interest	Total Interest	Direct/ Beneficial Interest	Deemed Interest	Total Interest
	%	%	%	%	%	%
Cheong Pin Chuan	1.73	16.96	18.69	1.92	18.85	20.77
Cheong Sim Eng	12.37	5.86	18.23	13.75	6.51	20.26
Cheong Hooi Kheng	1.63	–	1.63	1.81	–	1.81
Chow Yew Hon	–	–	–	–	–	–
Lim Jun Xiong Steven	–	–	–	–	–	–
Chan Pengee, Adrian	–	–	–	–	–	–

- 7.6 Based on the above information, as at the Latest Practicable Date, none of the Directors (together with persons acting in concert with them) would become obliged to make a take-over offer for the Company under Rule 14 and Appendix 2 of the Take-over Code in the

event that the Company purchases the maximum amount of ten per cent. (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) under the Share Purchase Mandate.

- 7.7 Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to thirty per cent. (30%) or more, or if such Shareholder holds between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent. (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Company to purchase or acquire its Shares, unless so required under the Companies Act.
- 7.8 Under Appendix 2 of the Take-over Code, in general, Shareholders will be subject to the provisions of Rule 14 if they acquire voting shares after the Company's share buy-back.
- 7.9 Based on the interests of the substantial shareholders in the Shares as recorded in the Register of Substantial Shareholders kept pursuant to Section 137C of the Securities and Futures Act, Chapter 289 as at the Latest Practicable Date, none of the substantial shareholders of the Company (together with persons acting in concert with them) would become obliged to make a take-over offer for the Company under Rule 14 and Appendix 2 of the Take-over Code in the event the Company purchases the maximum amount of ten per cent. (10%) of the issued Shares (excluding treasury shares and subsidiary holdings) under the Share Purchase Mandate.

Shareholders are advised to consult their professional advisers and/or the Securities Industry Council and/or other relevant authorities at the earliest opportunity as to whether they would incur an obligation to make a take-over offer as a result of any purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate.

8 LISTING STATUS ON SGX-ST

- 8.1 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.
- 8.2 Pursuant to Rule 723 of the Listing Manual of the SGX-ST, the Company has to ensure that at least ten per cent. (10%) of the total number of issued Shares, excluding treasury shares, are at all times held by the "public" (as defined in the Listing Manual of the SGX-ST). As at the Latest Practicable Date, 870,612,140 Shares were issued and fully-paid up. As at the Latest Practicable Date, the Directors, the substantial shareholders of the Company and certain other members of the Cheong family had, in aggregate, interests in approximately 70.75% of the issued Shares. As the public held approximately 29.25% of the issued Shares as at the Latest Practicable Date, the Company is of the view that there is currently a sufficient number of issued Shares held by public Shareholders which would permit the Company to effect a purchase of up to ten per cent. (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) pursuant to the Share Purchase Mandate without affecting orderly trading of the Shares and/or the listing status of the Shares on the SGX-ST.

9 DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the renewal of the Share Purchase Mandate is in the interests of the Company and accordingly recommend that Shareholders vote in favour of the ordinary resolution relating to the renewal of the Share Purchase Mandate to be proposed at the 50th AGM on Monday, 30 April 2018 as set out in the Notice of the 50th AGM dated 13 April 2018.

10 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

- 10.1 The Directors' interests in the Shares as recorded in the Register of Directors' Shareholdings kept pursuant to Section 164 of the Companies Act as at the Latest Practicable Date are set out in section 7.5 above.

10.2 The interests of the substantial shareholders in the Shares as recorded in the Register of Substantial Shareholders kept pursuant to Section 137C of the Securities and Futures Act as at the Latest Practicable Date were as follows:

Name of Substantial Shareholder	Direct/Beneficial Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Hong Fok Land Holding Limited	177,589,632	20.40	–	–
Wellow Investment Limited	–	–	177,589,632 ^(a)	20.40
Hong Fok Land Investment Limited	–	–	177,589,632 ^(a)	20.40
Hong Fok Land Asia Limited	–	–	177,589,632 ^(a)	20.40
Hong Fok Land International Limited	–	–	177,589,632 ^(a)	20.40
Cheong Sim Eng	107,745,456	12.37	50,989,778 ^(b)	5.86
P.C. Cheong Pte Ltd	96,089,584	11.04	–	–
Cheong Pin Chuan	15,052,528	1.73	147,653,053 ^(c)	16.96
Cheong Kim Pong	99,824,099	11.47	42,546,114 ^(d)	4.88

Notes:

- (a) Each of the companies is deemed interested in the Shares held directly by Hong Fok Land Holding Limited (“**HF Land**”) as HF Land is a wholly owned subsidiary of Wellow Investment Limited, which is in turn a wholly owned subsidiary of Hong Fok Land Investment Limited, which is in turn a wholly owned subsidiary of Hong Fok Land Asia Limited, which is in turn a wholly owned subsidiary of Hong Fok Land International Limited (incorporated in Bermuda).
- (b) This represents Cheong Sim Eng’s deemed interest in the Shares held by his wife, Corporate Development Limited (“**CDL**”) and Goodyear Realty Co. Pte. Ltd. (“**Goodyear**”).
- (c) This represents Cheong Pin Chuan’s deemed interest in the Shares held by his wife, P.C. Cheong Pte Ltd, CDL and Goodyear.
- (d) This represents Cheong Kim Pong’s deemed interest in the Shares held by his late wife and Goodyear.

11 DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Addendum and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Addendum constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Addendum misleading. Where information in this Addendum has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Addendum in its proper form and context.

12 DOCUMENTS FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 300 Beach Road #41-00, The Concourse, Singapore 199555 during business hours from the date hereof up to the date of the 50th AGM:

- (a) the Constitution of the Company; and
- (b) the Annual Report of the Company for the year ended 31 December 2017.

Yours faithfully
For and on behalf of the Board of Directors

Cheong Pin Chuan
Cheong Sim Eng
Joint Chairmen and Joint Managing Directors
HONG FOK CORPORATION LIMITED

HONG FOK CORPORATION LIMITED

(the “Company”)

GUIDELINES ON SHARE PURCHASES**1 SHAREHOLDERS’ APPROVAL**

- 1.1 Purchases of ordinary shares in the capital of the Company (“**Shares**”) by the Company must be approved in advance by the shareholders of the Company (the “**Shareholders**”) in a general meeting of the Company, by way of a general mandate.
- 1.2 The general mandate to authorise the directors of the Company (“**Directors**”) to make purchases of Shares (the “**Share Purchase Mandate**”) will expire on the earlier of:
- (a) the conclusion of the next annual general meeting of the Company (“**AGM**”);
 - (b) the expiration of the period within which the next AGM is required by law to be held; or
 - (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders of the Company in a general meeting.
- 1.3 The authority conferred on the Directors by the Share Purchase Mandate to purchase Shares may be renewed at each AGM or other general meeting of the Company.
- 1.4 The number of Shares which can be purchased pursuant to the proposed Share Purchase Mandate is such number of Shares which represents up to a maximum of ten per cent. (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date on which the resolution authorising the Share Purchase Mandate is passed.
- 1.5 Purchases of Shares can be effected by the Company in either one or both of the following ways:
- (a) by way of an on-market purchase (“**On-Market Purchase**”) on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). On-Market Purchase means a purchase of Shares transacted through the SGX-ST’s trading system; and/or
 - (b) by way of an off-market acquisition in accordance with an equal access scheme as defined in Section 76C of the Companies Act, Chapter 50 (“**Off-Market Purchase**”). The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the constitution of the Company (the “**Constitution**”), the Listing Manual of the SGX-ST and the Companies Act, Chapter 50 (the “**Companies Act**”) as they consider fit in the interests of the Company in connection with or in relation to an Off-Market Purchase scheme or schemes. The Off-Market Purchase scheme must satisfy all the following conditions:
 - (i) the offers for the purchase or acquisition of Shares under the scheme shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
 - (ii) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and
 - (iii) the terms of all the offers are the same (except that there shall be disregarded differences in consideration attributable to the fact that the offers relate to Shares with different accrued dividend entitlements, differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid and differences in the offers introduced solely to ensure that each person is left with a whole number of Shares).

2 FUNDING OF SHARE PURCHASES

- 2.1 In purchasing Shares, the Company may only apply funds for such purchase in accordance with the Constitution and the applicable laws and regulations in Singapore.
- 2.2 The Company may not purchase its Shares for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST.
- 2.3 The Company may purchase or acquire its Shares out of the Company's capital or profits so long as the Company is solvent. This means that there must be no ground on which the Company could be found to be unable to pay its debts and it will be able to pay its debts as they fall due during the period of twelve (12) months immediately after the date of the payment. In addition, the value of the Company's assets must not be less than the value of its liabilities (including contingent liabilities) before and after it purchases or acquires its Shares.
- 2.4 The Directors shall not exercise the Share Purchase Mandate to such an extent as would have a material adverse effect on 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.

3 TRADING RESTRICTIONS

- 3.1 The Company will not effect a purchase of Shares such that the continuing shareholding spread requirement prescribed by the Listing Manual of the SGX-ST which is in force at the time of the intended purchase of Shares cannot be maintained after the purchase.
- 3.2 The Directors will use their best efforts to ensure that any purchase of Shares will not affect the listing of the Shares on the SGX-ST.

4 OFF-MARKET PURCHASE SCHEME

For purchases of Shares to be made by way of an Off-Market Purchase scheme, the Company shall issue an offer document to all Shareholders. The offer document shall contain at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed purchase of Shares;
- (d) the consequences, if any, of the purchase of Shares by the Company that will arise under the Singapore Code on Take-overs and Mergers or any other applicable take-over rules;
- (e) whether the purchase of Shares, if made, could affect the listing of the Shares on the SGX-ST;
- (f) details of any purchase of Shares made by the Company in the previous twelve (12) months (whether On-Market Purchases or Off-Market Purchases), including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases; and
- (g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

5 PRICE RESTRICTIONS

The purchase price (excluding brokerage, commission, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors. The purchase price to be paid for the Shares as determined by the Directors must not exceed the maximum price ("**Maximum Price**") set out below:

- (a) in the case of an On-Market Purchase, five per cent. (5%) above the average of the closing market prices of the Shares over the last five (5) days on which the SGX-ST is open for securities trading ("**Market Days**") and on which transactions in the Shares were recorded, before the day on which the On-Market Purchase was made by the Company, which is deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days; and
- (b) in the case of an Off-Market Purchase, ten per cent. (10%) above the average of the closing market prices of the Shares over the last five (5) Market Days on which transactions in the Shares were recorded, before the day on which the Company makes an announcement of an offer under the Off-Market Purchase scheme.

6 STATUS OF PURCHASED SHARES

- 6.1 Under Singapore law, the Company may elect, in respect of Shares which are purchased or acquired by the Company, to hold such purchased or acquired Shares as treasury shares as may be used for the purpose stated in the Companies Act and, unless such Shares are held as treasury shares, they will be deemed to be cancelled immediately on purchase or acquisition.
- 6.2 Any Shares purchased or acquired by the Company and cancelled will be automatically delisted by the SGX-ST.
- 6.3 Certificates in respect of purchased or acquired Shares that are cancelled by the Company will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any purchase or acquisition of such Shares.

7 REPORTING REQUIREMENTS

- 7.1 Within thirty (30) days of the passing of a Shareholders' resolution to approve purchases of Shares by the Company, the Company shall lodge a copy of such resolution with the Accounting and Corporate Regulatory Authority.
- 7.2 The Company shall notify the Accounting and Corporate Regulatory Authority within thirty (30) days of a purchase of Shares by way of an On-Market Purchase and/or an Off-Market Purchase. Such notification shall include details of the date of the purchase, the total number of Shares purchased, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase of Shares, the amount of consideration paid by the Company for the purchase of Shares, whether the Shares were purchased out of profits or the capital of the Company and such other particulars as may be required in the prescribed form.
- 7.3 The Company shall notify the SGX-ST of On-Market Purchases of Shares not later than 9.00 a.m. on the Market Day following the day on which the On-Market Purchases were effected, and shall notify the SGX-ST of Off-Market Purchases not later than 9.00 a.m. on the second Market Day after the close of acceptances of the offer for Off-Market Purchases. The notification of such purchases of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe.

- 7.4 The Company shall make arrangements with its stockbrokers to ensure that they provide to the Company in a timely fashion the necessary information which will enable the Company to make the aforesaid notifications to the SGX-ST.
- 7.5 When seeking the approval of Shareholders for the renewal of the Share Purchase Mandate, the Company is required to disclose details pertaining to purchases of Shares made by the Company during the previous twelve (12) months (whether On-Market Purchases or Off-Market Purchases), including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases.

8 SUSPENSION OF PURCHASES

- 8.1 Purchases of Shares are prohibited after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been publicly announced.
- 8.2 In particular, the Company may not purchase its Shares on the SGX-ST during the period commencing two (2) weeks before the announcement of the financial statements for each of the first three quarters of its financial year and one (1) month before the announcement of the Company's full year financial statements and ending on the date of announcement of the relevant results.