



HONG FOK CORPORATION LIMITED

(Company Registration No.: 196700468N)

CONFLICT OF INTERESTS AND INTERESTED PERSON TRANSACTION POLICY

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1. INTRODUCTION

This conflict of interests and interested person transaction policy (the "**Policy**") aims to provide guidance to the Directors of Hong Fok Corporation Limited (the "**Company**") to help them recognise and deal with conflict of interests and to set out the Company's internal procedures and guidelines to identify, report and where necessary, seek appropriate approval of interested person transactions ("**IPTs**")¹ in order to ensure compliance with Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**Listing Manual**").

As this Policy is intended to set out general guidelines, Directors should also refer to any applicable law, legislation or listing rules.

2. CONFLICT OF INTERESTS

2.1 Avoiding instances of conflict of interests

Section 157 of the Companies Act (Chapter 50 of Singapore) (the "**Companies Act**") requires a director to act honestly and use reasonable diligence in the discharge of the duties of his or her office. In addition, Directors also have a duty to act in the best interests of the Company and should ensure that this duty is not impaired.

The personal interests of a Director or persons associated with the Director must not be allowed to prevail over the interests of the Company or its shareholders. This includes the interests of a spouse, parent, child or sibling of the Director or any company, corporation, partnership, trust or other entity owned or controlled by the Director or in which the Director has substantial personal interest.

As such, Directors should avoid placing themselves in a situation where these interests, whether professional or personal, would or would likely be directly or indirectly in conflict with the interests of the Company. A conflict of interests or potential conflict of interests exists where a Director's personal or business interest interferes, or even appears to interfere, in any manner with the interests of the Company. A conflict situation can arise when a Director takes actions or has interests that may make it difficult to objectively and efficiently perform his or her duties to the Company.

In addition, in order to protect the reputation of the Directors and the Company, Directors should as far as possible also avoid situations which might reasonably appear to be conflicts of interests and could result in an appearance of impropriety.

2.2 Disclosing conflicts of interests

A Director and a Chief Executive Officer ("**CEO**") who is in any way, whether directly or indirectly, interested in a transaction or proposed transaction with the Company shall as soon as is practicable after the relevant facts have come to his knowledge disclose to the board of directors (the "**Board**") his interest in the transaction or proposed transaction. This will ensure that Directors and CEOs comply with their duties under Section 156 of the Companies Act and the Company's Constitution (if applicable).

Directors and CEOs should be transparent in any disclosure of their interests, disclosing the nature and extent of the conflicting interest. If in doubt as to whether a particular interest might

¹ Rule 904 of the Listing Manual defines an "interested person transaction" to mean a transaction between an entity at risk and an interested person.

conflict with the interests of the Company, Directors and CEOs should err on the side of caution and disclose the potential conflict to the Board.

This duty to disclose to the Board is non-delegable and the responsibility falls on the Director or CEO alone.

In particular, Directors and CEOs may be required to make the following disclosures to the Board from time to time:

- (a) list of other directorships and appointments and companies which the Director or CEO is a member of, and the nature and extent of such interest; and
- (b) the Director's and CEO's interests in shares and other securities of the Company, and changes to these interests.

2.3 Abstaining from participation in matters involving conflict

The Company's Constitution provides that a Director shall not vote in respect of any transaction or proposed transaction or arrangement with the Company in which he has directly or indirectly a personal material interest. In addition, the Director shall not be counted in the quorum at a meeting in relation to any resolution on which the Director is not entitled to vote.

Directors should also recuse themselves and refrain from participating in discussions regarding a transaction or proposed transaction in which the Director has an interest or is conflicted. This includes discussions at all levels, including, but not limited to, the Company's subsidiaries and any committees and sub-committees that are involved in the proposed transaction. This will prevent any risk of the Director acting in the interests of persons other than the Company, and will also prevent any appearance of impropriety on the part of the Company or the Director.

Further, where the interested or conflicted Director is aware of certain facts which may be relevant to the resolution to be approved at the meeting, and knows that the other Directors may not be privy to these facts, the interested or conflicted Director should, where it is lawful to do so, disclose these facts to the other Directors, especially where the disclosure of these facts would better enable the other Directors to safeguard the interests of the Company.

2.4 Improper personal benefits as a result of a Director's or CEO's position

Directors and CEOs should not improperly use their position in the Company, or information acquired by virtue of their position, to directly or indirectly obtain benefits for themselves or persons associated with them. This is especially where this could result in adverse consequences for or detriment to the Company. Persons associated with a Director or a CEO would include any spouse, parent, child or sibling of the Director or CEO, or any company, corporation, partnership, trust or other entity owned or controlled by the Director or CEO or in which the Director or CEO has a substantial personal interest.

In addition, Directors and CEOs should not take for themselves (or direct to family members, companies to which they are affiliated or any third parties) personal business opportunities that arise through their position as Director or CEO, whether through the use of information acquired or property entrusted to them as Director or CEO or otherwise.

2.5 Loans to Directors

Loans from the Company to Directors or persons and companies associated with Directors are prohibited, except in the limited circumstances permitted under the Companies Act.

2.6 Confidentiality and improper use of information and assets of company

Another aspect of the duty to avoid conflicts of interests would be to avoid making improper use of information acquired as Director or CEO, or assets of the Company which have been entrusted to him or her as Director or CEO. Directors and CEOs should use such information and assets only in furtherance of the Company's interests, and should not use such information and assets to further their own interests or the interests of their associates.

Directors and CEOs should keep information obtained due to their position in the Company confidential. Each Director and CEO during his or her appointment and after leaving the Company must maintain the confidentiality of such information except when disclosure is authorised by the Board or legally mandated.

Confidential information includes, but shall not be limited to, any information which the Company has yet to make public.

If a Director or CEO is legally required to disclose any such information, he or she must provide the Company Secretary with prompt notice of such requirement.

3. INTERESTED PERSON TRANSACTIONS

3.1 Chapter 9 of the Listing Manual seeks to guard against the risk that interested persons could influence the Company, its subsidiaries or associated companies, to enter into transactions with interested persons that may adversely affect the interests of the Company or its shareholders.²

The Company would have to comply with Chapter 9 of the Listing Manual in relation to IPTs. In addition, the procedures set out below for the review and approval of IPTs should be followed.

3.2 IPT Procedures (In General)

The following procedure for the review and approval of IPTs should be followed (save for an IPT which falls within an exception set out in Rule 915 of the Listing Manual):

- (a) The Accounts and Finance Department shall maintain and update the list of IPTs, which are transactions entered into between entities at risk³ and interested persons.⁴
- (b) The personnel involved in the proposed IPTs shall endeavour to ensure that IPTs are conducted fairly, on an arm's length basis, on normal commercial terms, and are not prejudicial to the interests of the Company and its minority shareholders.
- (c) The Accounts and Finance Department shall prepare a list of IPTs for circulation to the Audit and Risk Management Committee and the Board at the quarterly meetings.

Further, the aggregate value of IPTs entered into during the financial year shall be disclosed in the annual report in accordance with Rule 907 of the Listing Manual.

² Rule 901 of the Listing Manual.

³ Rule 904(2) of the Listing Manual defines "entity at risk" to mean: (a) the issuer; (b) a subsidiary of the issuer that is not listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") or an approved exchange; or (c) an associated company of the issuer that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company.

⁴ Rule 904(4) of the Listing Manual defines "interested person" in the case of a company to mean: (i) a director, chief executive officer, or controlling shareholder of the issuer; or (ii) an associate of any such director, chief executive officer, or controlling shareholder.

3.3 IPT Procedures where an announcement is required (where shareholder approval is not required)

3.3.1 An IPT requires an immediate announcement if:⁵

- (a) the IPT is of a value equal to, or more than, 3% of the latest audited net tangible assets of the Company and its subsidiaries (the "Group"); or
- (b) the aggregate value of all transactions entered into with the same interested person⁶ during the same financial year amounts to 3% or more of the Group's latest audited net tangible assets, in which case the Company must announce the latest transaction and all future transactions entered into with that same interested person during that financial year.

The requirement to make an immediate announcement does not apply if the IPT is of a value below S\$100,000,⁷ or where the proposed transaction falls within an exception set out in Rule 915 of the Listing Manual.

3.3.2 The procedures set out in Paragraph 3.2 above and the following procedures should be followed:

- (a) All proposed IPTs which would require an immediate announcement must be submitted for approval by the Audit and Risk Management Committee and the Board before these are entered into.
- (b) The personnel involved in the proposed IPT shall provide to the Accounts and Finance Department full details and documentation on the IPT including any supporting evidence as to whether the transaction is conducted fairly, on an arm's length basis, on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.
- (c) Directors who are interested in the proposed IPT shall not vote on any resolution in relation to the proposed IPT.
- (d) The Audit and Risk Management Committee shall decide whether or not an independent financial adviser ("IFA") should be appointed to review the IPT and to give its opinion on the IPT.

3.3.3 Upon the entry into of an IPT which requires an immediate announcement, the Company shall make an immediate announcement in accordance with Chapter 9 of the Listing Manual.

3.4 IPT Procedures where shareholder approval is required

3.4.1 An IPT requires the Company to make an immediate announcement and to obtain shareholder approval if:⁸

- (a) the IPT is of a value equal to, or more than, 5% of the Group's latest audited net tangible assets; or
- (b) the IPT is of a value equal to, or more than, 5% of the Group's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

⁵ Rule 905 of the Listing Manual.

⁶ Rule 908 of the Listing Manual.

⁷ Rule 905(3) of the Listing Manual.

⁸ Rule 906 of the Listing Manual.

The requirement to obtain shareholder approval does not apply if the IPT is of a value below S\$100,000,⁹ or where the proposed transaction falls within an exception set out in Rules 915 or 916 of the Listing Manual.

3.4.2 The procedures set out in Paragraphs 3.2, 3.3.2 and 3.3.3 above, and the following procedures should be followed:

- (a) After the proposed IPT has been approved by the Audit and Risk Management Committee and the Board, the Company shall prepare and issue a circular to shareholders and to convene an extraordinary general meeting to obtain shareholder approval on the proposed IPT.
- (b) The circular must include an opinion from an IFA. An opinion from an IFA is not required for the following IPTs. Instead, an opinion from the Audit and Risk Management Committee in the form required in Rule 917(4)(a) of the Listing Manual must be disclosed in the circular:¹⁰
 - (i) issue of shares, warrants and convertible securities for cash (other than rights issue);
 - (ii) issue of other securities of a class that is already listed for cash; or
 - (iii) purchase or sale of any real property where:
 - (1) the consideration for the purchase or sale is in cash;
 - (2) an independent professional valuation has been obtained; and
 - (3) the valuation of such property is disclosed in the circular.
- (c) In a meeting to obtain shareholder approval, the interested person and any associate of the interested person must not vote on the resolution, nor accept appointments as proxies unless specific instructions as to voting are given.¹¹

3.5 IPT Procedures for Sale of Property Units

3.5.1 Pursuant to Rule 910 of the Listing Manual:

- (a) the Company must announce a sale or proposed sale of any units of its local property projects or those of its entity at risk to an interested person or a relative of a Director, CEO or controlling shareholder within two (2) weeks of the sale or proposed sale, regardless of whether the sale or proposed sale is required to be announced under Rule 905; and
- (b) the Company is required to comply with Rule 905 for a sale or proposed sale of any units of its non-local property projects, or those of its entity at risk, to its interested person.¹²

3.5.2 The following procedures for the review and approval of sales of property units to an interested person or a relative should be followed:

- (a) All proposed property transactions which would require an immediate announcement must be submitted for approval by the Audit and Risk Management Committee and the Board before these are entered into. The personnel involved in the proposed property transaction shall provide to the Accounts and Finance Department full details and documentation on the proposed property transaction including any supporting evidence as to whether the transaction is on fair and reasonable terms and is not prejudicial to the interests of the Company and its minority shareholders.

⁹ Rule 906(2) of the Listing Manual.

¹⁰ Rule 921(4)(b) of the Listing Manual.

¹¹ Rule 919 of the Listing Manual.

¹² Rule 910(2) of the Listing Manual.

- (b) In deciding on any sale of units of its property projects to the Company's interested persons or a relative of a Director, CEO or controlling shareholder, the Audit and Risk Management Committee must review and approve the sale(s) and satisfy itself that the number and terms of the sale(s) are fair and reasonable and are not prejudicial to the interests of the Company and its minority shareholders.¹³
- (c) The Company's Board must be satisfied that the terms of the sale(s) are not prejudicial to the interests of the Company and its minority shareholders.¹⁴
- (d) An interested person and any nominee of the interested person must abstain from voting on all resolutions to approve the sales or proposed sales to the interested persons.¹⁵
- (e) Where a sale or proposed sale to the Company's interested person requires shareholder approval, the Company shall prepare and issue a circular to shareholders and convene an extraordinary general meeting. The Company must obtain the shareholder approval within six weeks of the date of the sale or proposed sale.¹⁶

3.6 Procedures for seeking General Shareholder Mandate

- 3.6.1 The Company may seek a general mandate from shareholders ("**Shareholder Mandate**") for recurrent IPTs of a revenue or trading nature or those necessary for the day-to-day operations of the Company, such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A Shareholder Mandate is subject to annual renewal.¹⁷
- 3.6.2 The Company shall prepare and issue a circular to shareholders if it wishes to adopt or renew a Shareholder Mandate.

4. COMPLIANCE PROCEDURES

Directors should communicate any suspected violations of this Policy promptly to the Chairman of the Audit and Risk Management Committee. Suspected violations will be investigated by the Audit and Risk Management Committee or by a person or persons designated by the Audit and Risk Management Committee and appropriate action will be taken in the event it is determined that any violation of this Policy has occurred.

This Policy shall be reviewed from time to time to ensure that it is adequate, appropriate and relevant to current practices and law.

¹³ Rule 912 of the Listing Manual.

¹⁴ Rule 912 of the Listing Manual.

¹⁵ Rule 914 of the Listing Manual.

¹⁶ Rule 913 of the Listing Manual.

¹⁷ Rule 920(1) of the Listing Manual.