



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: Hong Fok Corporation Limited

Stock code: H30

Meeting details:

Date: 5 June 2020

Time: 10.30 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As stated in the annual report, the company has stated its vision and mission statement as:

“To build and maintain a long-term sustainable real-estate related business”

The last major development carried out by the group was the Concourse Skyline which was completed in 2014. The group has also successfully developed the Orchard road site into YOTEL Singapore Orchard Road which was opened in 2017.

- (i) **Would the board (re)state the strategic growth plans for the group, especially its plans for the next 3-5 years?** It would appear that the group has slowed down its pace in recent years. The group has no existing land bank as well.

The group has a relatively large senior management team, namely Mr Cheong Pin Chuan (joint chief executive officer), Mr Cheong Sim Eng (also joint chief executive officer) and Ms Cheong Hooi Kheng (chief operating officer). All three are executive directors of the company. The profile of the three directors can be found on page 3 of the annual report. However, there is little/no information on the roles and responsibilities of the executive directors.

- (ii) **Would the company include a description of the roles and responsibilities of each of the executive directors in the annual report?**
- (iii) **Has the board reviewed the roles and responsibilities of the executive directors to ensure that there is no significant overlap and that the directors are set appropriate (individual) performance targets each year? If so, what are the performance targets?**
- (iv) **Given that there has been a lull in the development activities, can shareholders get a better understanding of the group’s growth prospects?**

Q2. Can the board/management provide shareholders with better clarity on the following operational/financial matters? Specifically:

- (i) **Concourse Skyline:** The group sold 13 units in the year, down from 21 units in FY2018. Gross rental income derived from development properties slipped to \$3.77 million in FY2019. The group still carries 80 units of development properties at the Concourse Skyline. **Can management disclose the occupancy rate of the remaining unsold units held as development properties? What is the cost of holding the unsold units?**

- (ii) **Super penthouse:** It was reported in the media that the group has two super penthouses at Concourse Skyline, each in excess of 10,000 square feet. The group has just released one unit in 2019, more than a decade after the project's initial launch and more than 5 years after the project was completed. **Can management elaborate further on the plans for the super penthouses? How confident is management at selling the super penthouse given its location? Have the two penthouse units been left vacant and not utilised by the group? In choosing to develop the top floors as super penthouses, would the group achieve better returns than selling the space as smaller sized units?**
- (iii) **YOTEL Singapore:** What are the key operating metrics achieved by the hotel? Please disclose the occupancy rate, average daily room rate and the revenue per available room (RevPAR). Can management also disclose the profile of the guests (e.g., business/leisure, nationality, average length of stay)? How badly affected are the operations at the hotel due to the pandemic?

Q3. The table below shows the remuneration of the executive directors for FY2019 (page 17).

Remuneration Band Name of Executive Director	Salary %	Fees %	Bonus %	Other Benefits ⁵⁶ %	Total %
\$3,500,000 to \$3,749,999					
Ms Cheong Hooi Kheng ⁽¹⁾	38	–	59	3	100
\$3,750,000 to \$4,749,999					
–	–	–	–	–	–
\$4,750,000 to \$4,999,999					
Mr Cheong Pin Chuan ⁽¹⁾	29	–	59	12	100
Mr Cheong Sim Eng ⁽¹⁾	41	–	55	4	100

⁽¹⁾ The remuneration reflected in this table includes the remuneration given by those subsidiary companies or subsidiary corporations whose financial statements are consolidated with the Company's financial statements, aggregated together with the remuneration given by the Company.

The issue of executive remuneration is an evergreen topic at shareholder meetings. The company has used a professional and independent remuneration consultant to justify the remuneration of the executive directors.

As noted in the Corporate Governance statement, the remuneration of the executive directors and key management personnel comprises a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the group and each individual's performance. A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance.

- (i) **Can the remuneration committee (“RC”) help shareholders understand the key performance indicators (both financial and non-financial) used in the assessment?**
- (ii) **Specifically, for the three executive directors, especially the joint CEOs, how does the RC monitor and assess the directors in a fair and impartial manner?**
- (iii) While the group has benefitted from the (non-cash) revaluation of the hotel, it is possible that the valuation of the hotel may decline as a result of market forces. **Has the remuneration consultant/company accounted for the possibility that the investment properties may suffer revaluation losses (especially likely in a recession/caused by the pandemic)? In such scenario, would it be possible that the bonuses for the executive directors would be negative? If so, are there clawback provisions for the directors to pay-back the bonuses that were due to the non-cash, unrealized revaluation gains?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer’s website, through “live” webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)