

CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2007

The Board of Directors of the Company is committed to raising the standard of corporate governance within the Group in order to enhance the transparency in disclosure of material information. The Board strives to implement the best practices embodied in the Code of Corporate Governance 2005 (the "Code") where feasible and as far as practicable.

BOARD MATTERS

The Board's Conduct of its Affairs

The Board consists of eight members who have appropriate corporate experience.

The Board holds meetings on a regular basis during the year, to review the Company's and the Group's operations and financial results. Details of attendance of the directors at the Board meetings and Audit Committee meetings are set out in Appendix 1. The Company has not amended its Articles of Association to provide for telephonic and teleconference meetings, as the current Articles of Association which allow for resolutions to be passed by written means and meetings to be called at short notice at the consent of the Board, are sufficient for the operations of the Company.

Guidelines are established which specify certain material transactions that require the Board's approval which include mergers and acquisitions, divestments and major capital expenditure.

Board Composition and Guidance

Of the eight directors, four are non-executive. Three of the non-executive directors are deemed to be independent, by definition of the Code. This is in compliance with the Code which recommends that independent directors make up at least one-third of the Board. The Board is of the view that the present size of the Board is appropriate for the current needs and demands of the Company's and the Group's operations.

During the year, the non-executive directors constructively challenged and helped the management develop proposals on business strategies for the Company and the Group. The Board also reviews the performance of the management in achieving agreed goals and objectives for the Company and the Group, and monitors the reporting of performance.

Chairman and Chief Executive Officer

Mr Cheong Kim Pong is both the Chairman of the Board, as well as the Group's Chief Executive Officer ("CEO")/Managing Director. Given the size and that the Company's and the Group's current business operations and administration have been relatively stable and straightforward, the Board is satisfied that one person is able to effectively discharge the duties of both positions. Additionally, the Board has at least one-third majority of independent directors, which complies with the recommendation from the Code. This helps to maintain a certain balance of power within the Board. However, going forward, the Board will review from time to time, the need to separate the roles of the Chairman and the CEO if the situation warrants it.

Board Membership

Currently, the Board does not have a Nominating Committee as the Board has been relatively stable with a low turnover in the past few years. However, if the need arises, the Board as a whole, will decide on the nomination and appointment of new directors. Details of the directors' qualifications, directorships and other particulars are set out on Appendix 2. The Board is of the view that the current requirements for the rotation of the directors as provided in the Company's Articles of Association are adequate.

Board Performance

The Board supervises the management of the business and affairs of the Company and the Group. Apart from its statutory duties, the Board reviews and approves the Company's and the Group's strategic plans, key operational initiatives, major investments and funding decisions, annual business plans, reviews the financial performance of the Company and the Group and evaluates the performance and compensation of senior management personnel.

Annually, the Board conducts an informal assessment of the individual director's contribution. No director decides his or her own remuneration.

Access to Information

The Board has separate and independent access to management and the Company Secretary. The Company Secretary attends all Board meetings and ensures that board procedures, applicable rules and regulations are complied with. Management provides the Board with reports of the Company's and the Group's performance, financial position and prospects, and these are reviewed by the Board at each Board meeting. Directors may obtain independent professional advice in furtherance of their duties, at the Company's and the Group's expense.

REMUNERATION MATTERS

Summary of directors' remunerations for the financial year ended 31 December 2007:

Remuneration Band Name of Director	Salary %	Fees %	Bonus %	Other Benefits %	Total %
Less than \$250,000					
Mdm Lim Ghee	65	–	–	35	100
Mr Jackson Lee	–	100	–	–	100
Mr Stanley Leong Thoe Sing	–	100	–	–	100
Mr Tan Tock Han	–	100	–	–	100
Mr Lai Meng Seng	–	100	–	–	100
\$250,000 to \$999,999					
–	–	–	–	–	–
\$1,000,000 to \$1,249,999					
Mr Cheong Pin Chuan	68	–	29	3	100
Ms Cheong Hooi Kheng	68	–	29	3	100
\$1,250,000 to \$1,999,999					
–	–	–	–	–	–
\$2,000,000 to \$2,249,999					
Mr Cheong Kim Pong	67	–	28	5	100
Mr Cheong Sim Eng	67	–	28	5	100

Summary of key executives' remunerations for the financial year ended 31 December 2007:

Remuneration Band Designation of Executive	Salary %	Fees %	Bonus %	Other Benefits %	Total %
Less than \$250,000					
Vice President (Marketing)	69	–	29	2	100
\$250,000 to \$499,999					
Vice President (Projects)	66	–	27	7	100
Vice President (Accounts and Finance)/ Company Secretary	71	–	29	–	100
Personal Assistant to Directors	54	–	23	23	100
\$500,000 to \$749,999					
Vice President (Administration and Personnel)	63	–	27	10	100
Vice President (Property Maintenance)	65	–	28	7	100

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Remuneration Packages of Employees who are related to the Directors, or CEO of the Company

For the current financial year, there are four employees of the Group who are related to Mr Cheong Kim Pong, Mr Cheong Pin Chuan, Ms Cheong Hooi Kheng, Mr Cheong Sim Eng and Mdm Lim Ghee, who are directors of the Company. The aggregate remuneration (including CPF contributions thereon and benefits) of these employees amounted to \$1,642,843 for the year ended 31 December 2007. Details of the remuneration of such of these employees whose remuneration exceed \$150,000 during the financial year ended 31 December 2007 are included in the summary of key executives' remuneration in the preceding page.

Information of the key executive officers is set out in Appendix 3.

The Company does not have any employee share option scheme.

ACCOUNTABILITY AND AUDIT

Audit Committee

The Audit Committee comprises three independent non-executive directors who have accounting or related financial management experience.

The Audit Committee has full access to and co-operation of the management. The Committee also has discretion to invite any director or executive officer to attend its meetings and is assured of adequate resources to enable it to discharge its function properly. KPMG, the external auditors have unrestricted access to the Audit Committee.

The Audit Committee meets periodically with management and the auditors of the Company to discuss and review:

- (a) the annual and quarterly financial statements and announcements to shareholders before submission to the Board for adoption;
- (b) the Company's and the Group's accounting policies and system of internal controls;
- (c) the audit plan of the Company's external and internal auditors;
- (d) the results of the external and internal auditors' examination and their evaluation of the Company's and the Group's internal control system;
- (e) the independence and objectivity of the external auditors;
- (f) the assistance given by the Company's and the Group's officers to the external and internal auditors;
- (g) interested party transactions; and
- (h) recommendation to the Board regarding the appointment or re-appointment of external auditors of the Company at the Annual General Meeting.

To enable the Audit Committee to discharge its functions more effectively, the Company has outsourced its internal audit function to a reputable international accounting firm which is not the external auditor. The internal audit function reports to the Audit Committee. The Audit Committee reviews and approves the internal audit plan for execution.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The directors regularly review the effectiveness of all internal controls, including operational controls.

Risk assessment and evaluation take place as an integral part of the annual strategic planning cycle. Having identified the risks to achievement of their strategic objectives, each business is required to document the management and mitigating actions in place and proposed in respect of each significant risk.

The Audit Committee has reviewed the volume of non-audit services to the Company and the Group by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. Hence, the Audit Committee has recommended to the Board that the auditors, KPMG, be nominated for re-appointment as external auditors at the forthcoming Annual General Meeting of the Company.

The Board recognises the importance of maintaining a sound system of internal controls to safeguard the shareholders' investments and assets of the Company and the Group. The Audit Committee has been assigned to oversee and review the effectiveness of these controls at least annually.

COMMUNICATION WITH SHAREHOLDERS

The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company and the Group are made to shareholders of the Company. Any such information, should they arise, are communicated to the shareholders through the Company's annual reports and announcements to the SGX-ST. The Board and management are present at the Annual General Meetings to address any questions that the shareholders may have. The external auditors are also present to assist the Board in addressing relevant queries by shareholders. Shareholders have the opportunity to vote in person or by proxy.

MATERIAL CONTRACTS

There were no material contracts entered into between the Company and its subsidiaries involving the interests of the chief executive officer or each director or controlling shareholder of the Company during the financial year.

SECURITIES TRANSACTIONS

The Company has adopted the Hong Fok Corporation Limited Best Practices Guide (Dealings in Company's Securities) (the "Guide"). The Guide sets out, inter alia, the restrictions on insider trading under the Securities and Futures Act, Chapter 289, the implications of insider trading as well as the guidelines on dealings in securities in the Best Practices Guide issued by the SGX-ST. In addition, the Guide further elaborates that no dealings in the securities of the Company should take place 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.

DIRECTORS' ATTENDANCE AT BOARD AND AUDIT COMMITTEE MEETINGS

Appendix 1

	Board		Audit Committee	
	No. of Meetings ⁽¹⁾	Attendance	No. of Meetings ⁽¹⁾	Attendance
Executive Directors				
Mr Cheong Kim Pong	9	8	N.A.	N.A.
Mr Cheong Pin Chuan ⁽²⁾	9	–	N.A.	N.A.
Ms Cheong Hooi Kheng	9	9	N.A.	N.A.
Mr Cheong Sim Eng	9	9	N.A.	N.A.
Non-Executive Directors				
Mdm Lim Ghee	9	6	N.A.	N.A.
Mr Jackson Lee	9	8	4	4
Mr Stanley Leong Thoe Sing ⁽³⁾	7	6	2	1
Mr Tan Tock Han	9	8	4	4
Mr Lai Meng Seng ⁽⁴⁾	2	2	2	2

(1) In addition to these meetings, operational matters that require the Board's or Audit Committee's attention are also taken care of via circular resolutions.

(2) Mr Cheong Pin Chuan who is working in Hong Kong, partakes in these meetings via teleconference.

(3) The late Mr Stanley Leong Thoe Sing resigned as a director with effect from 21 May 2007.

(4) Mr Lai Meng Seng was appointed as a director with effect from 21 May 2007.

N.A.: Not applicable

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INFORMATION OF THE DIRECTORS

Appendix 2

Name of Director	Age	Academic and Professional Qualifications	Board Committees as Chairman or Member	Directorship: Date First Appointed	Directorship: Date Last Re-elected
Mr Cheong Kim Pong	65	Attended Civil Engineering at The Technical College in Australia	Member Managing Director Chairman	13 January 1968 4 September 1981 18 April 1984	N.A. N.A. N.A.
Mr Cheong Pin Chuan	58	Graduate of the Footscray Institute of Technology in Australia. Member of the Australian Society of Certified Practising Accountants and the Hong Kong Institute of Certified Public Accountants	Member Managing Director	26 July 1971 4 September 1981	N.A. N.A.
Ms Cheong Hooi Kheng ⁽¹⁾	55	Bachelor of Science Master of Business Administration	Member	1 March 1989	22 April 2005
Mr Cheong Sim Eng	47	Bachelor of Arts	Member	14 May 1990	26 April 2007
Mdm Lim Ghee	96	–	Member	13 January 1968	26 April 2007
Mr Jackson Lee ⁽²⁾	75	Fellow of the Institute of Chartered Accountants in Australia	Member Member of Audit Committee Chairman of Audit Committee	1 April 1976 5 March 1991 10 April 1991	26 April 2007 26 April 2007 26 April 2007
Mr Stanley Leong Thoe Sing ⁽³⁾	–	Bachelor of Architecture	Member/Member of Audit Committee	17 January 1994	26 April 2007
Mr Tan Tock Han ⁽¹⁾	61	–	Member/Member of Audit Committee	18 October 2001	28 April 2006
Mr Lai Meng Seng ⁽⁴⁾	59	Advanced Diploma in Quantity Surveying from the Royal Melbourne Institute of Technology Australia. Member of the Singapore Institute of Surveyors and Valuers	Member/Member of Audit Committee	21 May 2007	N.A.

(1) Ms Cheong Hooi Kheng and Mr Tan Tock Han are also directors of KTL Global Limited.

(2) Mr Jackson Lee is also a director of Metro Holdings Limited and Hong Leong Finance Limited.

(3) The late Mr Stanley Leong Thoe Sing resigned as a director with effect from 21 May 2007.

(4) Mr Lai Meng Seng is also a director of KSH Holdings Limited.

N.A.: Not applicable

INFORMATION OF THE KEY EXECUTIVE OFFICERS

Appendix 3

Ms Cheong Puay Kheng, Vice President (Administration and Personnel)

Ms Cheong's job responsibilities essentially cover the planning, organisation and control of office administration and personnel management of the Group. She graduated from the Armstrong College of Berkeley in the United States of America with a Bachelor of Science degree. She has 29 years of experience at management level.

Ms Cheong Loo Kheng, Vice President (Property Maintenance)

Ms Cheong oversees the management and maintenance of some of the Group's properties in Singapore. She graduated from the University of Hawaii with a Bachelor of Business Administration degree. She has 28 years of experience at management level.

Mr Jimmy Yeo, Vice President (Marketing)

Mr Yeo is responsible for the marketing and leasing of the Group's real estate properties in Singapore. He holds a Master of Business Administration degree from the University of Hull and a Diploma in Marketing from the Chartered Institute of Marketing. He is a fellow of the Marketing Institute of Singapore. He has 27 years of real estate marketing experience at management level.

Mr Lok Nam Moon, Vice President (Projects)

Mr Lok is responsible for all projects developments undertaken by the Group in Singapore. He holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering both from the University of Strathclyde in the United Kingdom. He is a Professional Engineer, a Chartered Engineer and a Chartered Professional Engineer registered with the Singapore Professional Engineers Board, Engineering Council in the United Kingdom and the Institute of Engineers (Australia) respectively. He is also a senior member of the Institution of Engineers in Singapore, a member of the Institute of Engineers in Australia and an Associate of the Institution of Structural Engineers in the United Kingdom. He has 27 years of experience in project management in Singapore.

Ms Koh Chay Tiang, Vice President (Accounts and Finance)/Company Secretary

Ms Koh is responsible for the accounts and finance functions of the Group in Singapore. She holds a Bachelor of Accountancy degree from the University of Singapore and is a Certified Public Accountant of Singapore. She has 25 years of experience at management level in Singapore.

Mr Cheong Aik Yen, Roy, Personal Assistant to Directors

Mr Cheong's job responsibilities cover identification and development of new business opportunities in the construction and property industry as well as in other areas. He graduated from Western New England College in Massachusetts with a Bachelor of Science degree in Mechanical Engineering. He has 2 years of experience in the merchant banking field and 12 years of experience at management level in Singapore.