

CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2008

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 on page 17.

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 Balance

Of the eight directors, four are non-executive. Mr Jackson Lee, Mr Tan Tock Han and Mr Lai Meng Seng, 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 page 18.

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.

Currently, the Board does not have a Remuneration Committee. 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 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.

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REMUNERATION MATTERS

Summary of directors' remunerations for the financial year ended 31 December 2008:

Remuneration Band Name of Director	Salary %	Fees %	Bonus %	Other Benefits %	Total %
Less than \$250,000					
Mr Jackson Lee	–	100	–	–	100
Mr Tan Tock Han	–	100	–	–	100
Mr Lai Meng Seng	–	100	–	–	100
\$250,000 to \$1,499,999					
–	–	–	–	–	–
\$1,500,000 to \$1,749,999					
Ms Cheong Hooi Kheng	57	–	40	3	100
\$1,750,000 to \$1,999,999					
Mr Cheong Pin Chuan	49	–	46	5	100
\$2,000,000 to \$2,249,999					
–	–	–	–	–	–
\$2,250,000 to \$2,499,999					
Mr Cheong Kim Pong	60	–	36	4	100
Mr Cheong Sim Eng	61	–	35	4	100

Summary of key executives' remunerations for the financial year ended 31 December 2008:

Remuneration Band Designation of Executive	Salary %	Fees %	Bonus %	Other Benefits %	Total %
Less than \$250,000					
Vice President (Marketing)	73	–	24	3	100
\$250,000 to \$499,999					
Vice President (Projects)	70	–	23	7	100
Vice President (Accounts and Finance)/Company Secretary	75	–	25	–	100
Personal Assistant to Directors	61	–	20	19	100
\$500,000 to \$749,999					
Vice President (Administration and Personnel)	68	–	23	9	100
Vice President (Property Maintenance)	68	–	23	9	100

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

For the current financial year, the Personal Assistant to Directors, Vice President (Administration and Personnel) and Vice President (Property Maintenance) were the employees of the Group whose remuneration exceeded \$150,000 each during the financial year 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.

Information of the key executive officers is set out on page 19.

The Company does not have any employee share option scheme.

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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 LLP, 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 LLP, 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.

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INTERESTED PERSON TRANSACTIONS

During the financial year, the following interested person transactions were entered into by the Group:

Name of Interested Person	Aggregate value of all interested person transactions (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual)	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than \$100,000)
Transactions with directors and their associates		
Consideration for the sale of 10 units to directors and their immediate family members in a residential development	\$15,421,060	N.A.

MATERIAL CONTRACTS

Save for the interested person transactions disclosed above and in Note 29 (Related Party Transactions) of the Notes to the Financial Statements, there were no other material contracts of the Company or its subsidiaries involving the interests of the chief executive officer, each director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous 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 an officer of the Company should not deal in the securities of the Company on short-term considerations and the Company and its officers should not deal in the securities of the Company during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before its half year or financial year, as the case may be, and ending on the date of announcement of the relevant results.

DIRECTORS' ATTENDANCE AT BOARD AND AUDIT COMMITTEE MEETINGS

	Board		Audit Committee	
	No. of Meetings ⁽¹⁾	Attendance	No. of Meetings ⁽¹⁾	Attendance
Executive Directors				
Mr Cheong Kim Pong	10	10	N.A.	N.A.
Mr Cheong Pin Chuan ⁽²⁾	10	-	N.A.	N.A.
Ms Cheong Hooi Kheng	10	10	N.A.	N.A.
Mr Cheong Sim Eng	10	9	N.A.	N.A.
Non-Executive Directors				
Mdm Lim Ghee	10	9	N.A.	N.A.
Mr Jackson Lee	10	10	4	4
Mr Tan Tock Han	10	10	4	4
Mr Lai Meng Seng	10	9	4	4

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

(2) Mr Cheong Pin Chuan who is working in Hong Kong, is either consulted on proposed resolutions and other matters to be discussed at meetings or participates in meetings via teleconference.

N.A.: Not applicable

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INFORMATION OF THE DIRECTORS

Name of Director	Age	Academic and Professional Qualifications	Board Committees Served on as Chairman or Member	Directorship: Date First Appointed	Directorship: Date Last Re-elected
Mr Cheong Kim Pong	66	Attended Civil Engineering at The Technical College in Australia	Chairman of the Board	13 January 1968	N.A.
Mr Cheong Pin Chuan	59	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	–	26 July 1971	N.A.
Ms Cheong Hooi Kheng ⁽¹⁾	56	Bachelor of Science Master of Business Administration	–	1 March 1989	25 April 2008
Mr Cheong Sim Eng	48	Bachelor of Arts	–	14 May 1990	26 April 2007
Mdm Lim Ghee	97	–	–	13 January 1968	25 April 2008
Mr Jackson Lee ⁽²⁾	76	Fellow of the Institute of Chartered Accountants in Australia	Chairman of Audit Committee	1 April 1976	25 April 2008
Mr Tan Tock Han ⁽¹⁾	62	–	Member of Audit Committee	18 October 2001	28 April 2006
Mr Lai Meng Seng ⁽³⁾	60	Advanced Diploma in Quantity Surveying from the Royal Melbourne Institute of Technology Australia. Member of the Singapore Institute of Surveyors and Valuers	Member of Audit Committee	21 May 2007	25 April 2008

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

N.A.: Not applicable

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INFORMATION OF THE KEY EXECUTIVE OFFICERS

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 30 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 29 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 28 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 28 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 26 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 13 years of experience at management level in Singapore.