

CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2011

The Board of Directors of the Company (the “Board”) 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 (Principle 1 of the Code)

The Board consists of seven 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 of the Company (the “Directors”) at the Board meetings and Audit Committee meetings are set out on page 12.

Guidelines are established to specify which material transactions require the Board’s approval. These transactions include mergers and acquisitions, divestments and major capital expenditure.

Board Composition and Balance (Principle 2 of the Code)

Of the seven Directors, three are non-executive. Mr Jackson Lee, Mr Tan Tock Han and Mr Lai Meng Seng, the three 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 of directors. 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 (Principle 3 of the Code)

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 (Principle 4 of the Code)

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 12.

Board Performance (Principle 5 of the Code)

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. The Group’s remuneration policy is to provide compensation packages which will reward, retain and motivate its executives and Directors.

Access to Information (Principle 6 of the Code)

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.

CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2011

REMUNERATION MATTERS (Principles 7, 8 and 9 of the Code)

Summary of Directors' remunerations for the financial year ended 31 December 2011:

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 \$1,749,999					
–	–	–	–	–	–
\$1,750,000 to \$1,999,999					
Ms Cheong Hooi Kheng	52	–	46	2	100
\$2,000,000 to \$2,249,999					
Mr Cheong Pin Chuan	47	–	53	–	100
\$2,250,000 to \$2,749,999					
–	–	–	–	–	–
\$2,750,000 to \$2,999,999					
Mr Cheong Kim Pong	56	–	40	4	100
Mr Cheong Sim Eng	57	–	39	4	100

Summary of key executives' remunerations for the financial year ended 31 December 2011:

Remuneration Band Designation of Executive	Salary %	Fees %	Bonus %	Other Benefits %	Total %
\$250,000 to \$499,999					
Vice President (Projects)	72	–	27	1	100
Personal Assistant to Directors	60	–	23	17	100
Vice President (Accounts and Finance)/ Company Secretary	73	–	27	–	100
Vice President (Marketing)	66	–	25	9	100
\$500,000 to \$749,999					
Vice President (Property Maintenance)	69	–	26	5	100
\$750,000 to \$999,999					
Vice President (Administration and Personnel)	66	–	25	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 and Mr Cheong Sim Eng, who are Directors.

Information of the key executive officers is set out on page 13.

The Company does not have any employee share option scheme.

CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2011

ACCOUNTABILITY AND AUDIT (Principles 10, 11, 12 and 13 of the Code)

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 Audit 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 (an accounting firm registered with the Accounting and Corporate Regulatory Authority of Singapore), the Company's external auditors have unrestricted access to the Audit Committee.

The Audit Committee is satisfied that the Company's external auditors and the audit engagement partner assigned to the audit have adequate resources and experience to meet its audit obligations. In this connection, the Company has complied with Rule 712 of the Listing Manual of the SGX-ST.

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

- (a) the annual and quarterly financial statements and announcements to shareholders of the Company (the "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 Company's 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 Company's external auditors;
- (f) the assistance given by the Company's and the Group's officers to the Company's 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 the 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.

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.

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 Company's 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 the Company's external auditors at the forthcoming Annual General Meeting of the Company.

CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2011

The Board and the Audit Committee have reviewed the appointment of different auditors for its subsidiaries and significant associates and are satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Group. Accordingly, the Company has complied with Rule 716 of the Listing Manual of the SGX-ST.

The audit and non-audit fees paid/payable to auditors are stated in Note 21 (Profit Before Income Tax) to the Financial Statements.

Based on the work carried out by the internal auditors, the external auditors and the existing management controls in place, the Audit Committee and the Board are satisfied that there are adequate internal controls in place to mitigate critical and significant risks relating to financial, operational and compliance matters. The Board, together with the Audit Committee and management, will continue to enhance and improve the existing internal control framework to identify and mitigate these risks.

COMMUNICATION WITH SHAREHOLDERS (Principles 14 and 15 of the Code)

The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company and the Group are made to the Shareholders. 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 Annual General Meetings to address any questions that the Shareholders may have. The external auditors of the Company are also present to assist the Board in addressing relevant queries by the Shareholders. Shareholders have the opportunity to vote in person or by proxy.

INTERESTED PERSON TRANSACTIONS

During the financial year, the following interested person transactions were entered into by the Company, its subsidiaries and/or its associates:

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 Listing Manual of the SGX-ST)	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST (excluding transactions less than \$100,000)
Associates of certain Directors Associates of Mr Cheong Kim Pong, Mr Cheong Pin Chuan and Mr Cheong Sim Eng	\$7,749,326	N.A.

MATERIAL CONTRACTS

Save for the interested person transactions disclosed above and in Note 28 (Related Party Transactions) 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 guidelines on dealings in securities. 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.

CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2011

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	4	4	N.A.	N.A.
Mr Cheong Pin Chuan ⁽²⁾	4	–	N.A.	N.A.
Ms Cheong Hooi Kheng	4	4	N.A.	N.A.
Mr Cheong Sim Eng	4	4	N.A.	N.A.
Non-Executive Directors				
Mr Jackson Lee	4	4	5	5
Mr Tan Tock Han	4	4	5	5
Mr Lai Meng Seng	4	4	5	5

- (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

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	69	Attended Civil Engineering at The Technical College in Australia	Chairman of the Board	13 January 1968	28 April 2011
Mr Cheong Pin Chuan	62	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	29 April 2009
Ms Cheong Hooi Kheng ⁽¹⁾	59	Bachelor of Science Master of Business Administration	–	1 March 1989	28 April 2010
Mr Cheong Sim Eng	51	Bachelor of Arts	–	14 May 1990	28 April 2010
Mr Jackson Lee ⁽²⁾	79	Fellow of the Institute of Chartered Accountants in Australia	Chairman of Audit Committee	1 April 1976	28 April 2011
Mr Tan Tock Han ⁽¹⁾	65	–	Member of Audit Committee	18 October 2001	29 April 2009
Mr Lai Meng Seng ⁽³⁾	63	Advanced Diploma in Quantity Surveying from the Royal Melbourne Institute of Technology Australia	Member of Audit Committee	21 May 2007	28 April 2011

- (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 Hong Leong Finance Limited.
- (3) Mr Lai Meng Seng is also a director of KSH Holdings Limited.

CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2011

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 33 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 32 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 in the United Kingdom and a Diploma in Marketing from the Chartered Institute of Marketing in the United Kingdom. He is a Fellow of the Marketing Institute of Singapore. He has 31 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 31 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 29 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 the 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 16 years of experience at management level in Singapore.

