

CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2014

The board of directors of the Company (the "Board" or "Directors") is committed to raising the standard of corporate governance within the Group in order to enhance transparency in the disclosure of material information. The Company confirms that it has adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code" or "2012 Code") and if there is any deviation from the Code, appropriate explanations are provided in this Statement on each area of non-compliance.

BOARD MATTERS

The Board's Conduct of Affairs (Principle 1 of the Code)

The Board is collectively responsible for the long-term success of the Company. The Board works with management to achieve this objective and management remains accountable to the Board.

In accordance with the Code, the Board has, without abdicating its responsibility, delegated the authority to make decisions to the Audit and Risk Management Committee, the Nominating Committee and the Remuneration Committee (collectively referred to as the "Board Committees"). Each Board Committee has its own terms of references to address their respective duties and responsibilities.

The Board held meetings on a regular basis during FY2014 to review, *inter alia*, the Company's and the Group's operations and financial results. Details of attendance of Directors at the Board meetings, Audit and Risk Management Committee meetings, Nominating Committee meetings, and Remuneration Committee meetings are set out on pages 19 and 20.

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

Newly appointed Directors will receive appropriate training and orientation programmes to familiarise themselves with the operations of the Group and its major business processes.

On the appointment of a new Director, the Company will provide a formal letter to the Director, setting out the Director's duties and obligations.

The Company also funds and arranges for the Directors to receive regular training. In this connection, the Company's external auditors, KPMG LLP, conducted a briefing session for the Board during FY2014 on the latest changes to the financial reporting standards.

The Board has no dissenting views on the Chairmen's Statement for the year in review.

Board Composition and Guidance (Principle 2 of the Code)

With effect from 31 January 2014, Mr Cheong Kim Pong retired as a Director. Before his retirement, Mr Cheong Kim Pong was the Chairman of the Board, as well as the Group's Chief Executive Officer ("CEO")/Managing Director. With effect from 30 April 2014, Mr Jackson Lee retired as a Director. Before his retirement, Mr Jackson Lee was the lead independent, non-executive Director, Chairman of the Audit and Risk Management Committee and a member of the Nominating Committee and the Remuneration Committee. With effect from 25 July 2014, Mr Lim Jun Xiong Steven was appointed as an independent Director.

During FY2014, after taking into consideration the resignations of Mr Cheong Kim Pong and Mr Jackson Lee and the appointment of Mr Lim Jun Xiong Steven, out of the six Directors, three were non-executive. The independence of each independent Director is reviewed annually by the Nominating Committee based on the provisions relating to independence as set out in the Code. The Nominating Committee requires each independent Director to complete and execute a form declaring and affirming his independence and confirming that there exist no conditions that would impair his independence. This declaration of independence is tabled before the Nominating Committee and, if accepted, the Director's independence is then recommended by the Nominating Committee to the Board.

Taking into account the views of the Nominating Committee, the Board is satisfied that Mr Chow Yew Hon, Mr Tan Tock Han and Mr Lim Jun Xiong Steven are independent in light of the provisions of the Code. This is in compliance with the Code which recommends that independent Directors make up at least half the Board where the Chairman and the CEO (or equivalent, in our case, the Managing Director) is the same person, notwithstanding that this recommendation only comes into effect following the end of the financial year commencing on or after 1 May 2016.

The Code further requires the independence of any Director who has served on the Board beyond nine (9) years to be rigorously reviewed. The Board having taken into account the contributions by Mr Tan Tock Han, determined Mr Tan Tock Han to be independent notwithstanding that he has served on the Board beyond nine (9) years. Mr Tan Tock Han has contributed effectively by providing impartial and autonomous views, advice and judgement. He has continued to demonstrate strong independence in character and mind and the Board is of the opinion that his length of service has

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not, in anyway, diminished his independence. In any event, Mr Tan Tock Han has given notice to the Company that, for the purpose of Board renewal and succession, he will be stepping down from his office as independent Director after the upcoming Annual General Meeting to be held on 30 April 2015.

The Board is of the view that the size of the Board is appropriate for the needs and demands of the Company's and the Group's operations. The Board comprises business leaders and professionals from different industries and financial backgrounds. The current Board comprises Directors who have diverse qualifications and backgrounds in areas such as law, banking, trusts, finance and business, and includes Directors who are resident in Singapore and Hong Kong. The independent Directors have exposure to the business industry in which the Group operates. The Board's composition enables the management to benefit from a diverse and objective external perspective on issues raised before the Board.

During FY2014, 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.

With effect from 1 January 2015, Mr Chan Pengee, Adrian was appointed as an independent Director. The Board is satisfied that Mr Chan Pengee, Adrian is independent in light of the provisions of the Code.

Chairman and Chief Executive Officer (Principle 3 of the Code)

During FY2014, Mr Cheong Kim Pong resigned as a Director and Mr Cheong Pin Chuan and Mr Cheong Sim Eng were appointed as Joint Chairmen of the Board and as Joint Managing Directors of the Company. Up to 31 January 2014, Mr Cheong Kim Pong was both the Chairman of the Board, as well as the Group's CEO/Managing Director.

During FY2014, Mr Jackson Lee was the lead independent Director up to 30 April 2014. With effect from 1 September 2014, Mr Chow Yew Hon was appointed as the lead independent Director. The Code recommends that a lead independent director be appointed where the Chairman and the CEO (or equivalent) is the same person. Following Mr Jackson Lee's retirement, the Nominating Committee considered the appointment of a lead independent director. Having considered the competencies, commitment, contribution and performance of Mr Chow Yew Hon, the Nominating Committee appointed Mr Chow Yew Hon as the lead independent Director.

Board Membership (Principle 4 of the Code)

Key information on the Directors, such as whether they are executive, non-executive, or considered by the Nominating Committee to be independent, as well as details of their academic and professional qualifications and other particulars are set out on pages 3, 20 and 21.

During FY2014, the members of the nominating committee of the Company (the "Nominating Committee") are Mr Chow Yew Hon (Chairman of the Nominating Committee), Mr Tan Tock Han and Mr Lim Jun Xiong Steven (with effect from 25 July 2014).

According to the Nominating Committee's terms of reference, the Nominating Committee's duties and responsibilities are as follows:

- (a) determining annually, and as and when circumstances require, whether a Director is independent, and providing its views to the Board in relation thereto for the Board's consideration;
- (b) reviewing the independence of any Director who has served on the Board for more than nine (9) years from the date of his first appointment and the reasons for considering him as independent;
- (c) where a Director or proposed Director has multiple board representations, deciding whether the Director is able to and has been adequately carrying out his duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments¹;
- (d) where the appointment of an alternate Director to a Director is proposed, determining whether the alternate Director is familiar with the Company's affairs, appropriately qualified and (in the case of an alternate Director to an independent Director) whether the alternate Director would similarly qualify as an independent Director, and providing its views to the Board in relation thereto for the Board's consideration;

¹ The term "principal commitments" shall include all commitments which involve significant time commitment such as full time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisation. Where a Director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

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- (e) making recommendations to the Board on relevant matters relating to:
 - (i) the review of board succession plans for Directors, in particular, the Chairman and for the CEO;
 - (ii) the development of a process for evaluation of the performance of the Board, its Board Committees and Directors;
 - (iii) the review of training and professional development programs for the Board; and
 - (iv) the appointment and re-appointment of Directors (including alternate Directors, if applicable);
- (f) proposing objective performance criteria for evaluation of the Board's performance as a whole which allows for comparison with industry peers and address how the Board has enhanced long-term shareholder value;
- (g) carrying out, at least annually, a formal assessment of the performance and effectiveness of the Board as a whole and its Board Committees and (if applicable) the contributions of individual Directors to the effectiveness of the Board, based on the process implemented by the Board; and
- (h) based on the results of the performance evaluation, providing its views and recommendations to the Board, including any appointment of new members.

No limit on the number of Board representations which a Director may hold has been imposed by the Nominating Committee or the Board as the Directors have demonstrated their commitment and effectiveness in discharging their duties and responsibilities and avoiding actual or potential conflicts of interest from serving on other Boards. The Nominating Committee, in assessing the performance of each individual Director, considers whether sufficient time and attention has been given by the Director to the affairs of the Company. It also has regard to the Director's other Board memberships and commitments.

All new appointments and selection of Directors are reviewed and proposed by the Nominating Committee. The Nominating Committee will first identify the skills, experience and background of the candidate being considered for appointment to the Board. Suitable candidates for Board membership are then identified through, *inter alia*, recommendations from current Board members, searches conducted by external search consultants or the Singapore Institute of Directors and other referrals. The Nominating Committee and the Board will interview short-listed candidates before discussing and approving the final appointment. For existing Directors who retire and stand for re-election, based on the evaluation of these Directors, the Nominating Committee will make recommendations for the re-nomination of such Directors.

All Directors (including Managing Directors and Executive Directors) are subject to retirement in accordance with the provisions of the Company's Articles of Association whereby one-third of the Directors (or if their number is not three or a multiple of three, the number nearest to one-third) are required to retire from office by rotation and subject themselves to re-election by shareholders at every annual general meeting of the Company.

With effect from 1 January 2015, the members of the Nominating Committee are Mr Chow Yew Hon (Chairman of the Nominating Committee), Mr Tan Tock Han, Mr Lim Jun Xiong Steven and Mr Chan Pengee, Adrian.

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, and reviews the financial performance of the Company and the Group and those companies whose financial statements are consolidated with the Company's financial statements. For FY2014, the Board also evaluated the performance and compensation of key management personnel.

The Nominating Committee has implemented a process which requires each Director to submit an assessment of the Board and the Board Committees, and a peer assessment of each of the other Directors on the Board to assess the Director's contributions to the effectiveness of the Board. These detailed forms assess Directors in various different areas and competencies, including their attendance and contributions at meetings, preparedness for meetings and their interactive and interpersonal skills. The responses are collated by the Company Secretary and submitted to the Nominating Committee. The responses were then discussed by the Nominating Committee for the recommendations to be made to the Board.

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As described below, the Remuneration Committee, in consultation with Hay Group Pte Ltd ("Hay Group"), recommended to the Board specific remuneration packages appropriate for each Director. During this process, the Hay Group and the Remuneration Committee assessed the contributions and performance of each Director in addition to considering other factors.

Access to Information (Principle 6 of the Code)

The Board has separate and independent access to management and the Company Secretary. Management provides the Board with reports of the performance, financial position and prospects of the Group and those companies whose financial statements are consolidated with the Company's financial statements, and these are reviewed by the Board at each Board meeting. Monthly management accounts of the Company and its key subsidiaries are also provided to the Directors. Directors may obtain independent professional advice in furtherance of their duties, at the Company's and the Group's expense.

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

During FY2014, the members of the remuneration committee (the "Remuneration Committee") are Mr Chow Yew Hon (Chairman of the Remuneration Committee), Mr Tan Tock Han and Mr Lim Jun Xiong Steven (with effect from 25 July 2014).

According to the Remuneration Committee's terms of reference, the Remuneration Committee's principal functions are as follows:

- (a) reviewing and recommending to the Board, a general framework of remuneration for the Directors and key management personnel²;
- (b) reviewing and recommending annually to the Board, the specific remuneration packages for each Director as well as for the key management personnel, and in its review, to cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind;
- (c) reviewing annually the remuneration of employees who are immediate family members³ of a Director or CEO whose remuneration exceeds \$50,000 during the year;
- (d) reviewing the Company's obligations arising in the event of termination of the executive Directors and key management personnel's contracts of service;
- (e) ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants; and
- (f) reviewing whether executive Directors, non-executive and independent Directors and key management personnel should be eligible for options, share incentives, awards and other benefits under the schemes.

The Group's remuneration policy is to provide remuneration packages which will reward, retain and motivate its executives and Directors. During the financial year ended 31 December 2014, the Hay Group was the remuneration consultant of the Company. The Company does not have any relationship with the Hay Group that could affect the Hay Group's independence and objectivity.

The Remuneration Committee, in consultation with the Hay Group, recommends to the Board specific remuneration packages appropriate for each Director. The Board will then review and, if it deems fit, approve these accordingly.

The remuneration packages paid to the executive Directors and key management personnel are linked to the performance of the Company and each individual. No Director or member of the Remuneration Committee is involved in deciding his or her own remuneration.

In reviewing the remuneration of Non-Executive Directors, the Remuneration Committee and the Hay Group have taken into consideration the knowledge and expertise of each individual non-executive Director, the responsibilities vested upon them and the time commitment required from the Non-Executive Directors given the complexities of the business and the business structure.

² "Key management personnel" shall mean the CEO and any other persons having authority and responsibility for planning, directing and controlling the activities of the Group.

³ An "immediate family member" refers to spouse, child, adopted child, step-child, brother, sister and parent.

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The Company currently does not have contractual provisions to allow the Company to reclaim incentive components of remuneration from executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company shall consider the said contractual provisions to be included in future renewals of service contracts as recommended by the Code. Save as aforesaid, the Company reserves the rights to employ legal recourse should any Director and/or key management personnel wilfully and negligently engage in any misconduct.

As the Remuneration Committee and the Board are of the opinion that the remuneration packages of the Executive Directors are of a confidential and sensitive nature, the disclosure of which would place the Group in a competitively disadvantageous position, they have chosen to make disclosures in relation thereto in bands of \$250,000.

The level and mix of the Directors' remuneration in bands of \$250,000 for FY2014 are set out below:

Remuneration Band Name of Director	Salary %	Fees %	Bonus %	Other Benefits ⁴ %	Total %
Less than \$250,000					
Mr Jackson Lee ⁽¹⁾	–	100	–	–	100
Mr Chow Yew Hon	–	100	–	–	100
Mr Tan Tock Han	–	100	–	–	100
Mr Lim Jun Xiong Steven ⁽²⁾	–	100	–	–	100
Mr Cheong Kim Pong ⁽³⁾	80	–	–	20	100
\$250,000 to \$3,249,999					
–	–	–	–	–	–
\$3,250,000 to \$3,499,999					
Ms Cheong Hooi Kheng ⁽⁴⁾	38	–	59	3	100
\$3,500,000 to \$4,499,999					
–	–	–	–	–	–
\$4,500,000 to \$4,749,999					
Mr Cheong Pin Chuan ⁽⁴⁾	25	–	62	13	100
\$4,750,000 to \$4,999,999					
Mr Cheong Sim Eng ⁽⁴⁾	41	–	54	5	100

(1) Mr Jackson Lee retired at the last Annual General Meeting on 30 April 2014.

(2) Mr Lim Jun Xiong Steven was appointed as an independent Director on 25 July 2014.

(3) Mr Cheong Kim Pong resigned as Chairman of the Board and the Group's CEO/Managing Director with effect from 31 January 2014.

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

The structure of the fees paid or payable to Non-Executive Directors of the Company for FY2014 is as follows:

Type of Appointment	Fee Per Annum (\$)
Board of Directors	
Basic retainer	30,000
Lead Independent Director	10,000
Audit and Risk Management Committee	
Chairman	25,000
Member	12,500
Nominating and Remuneration Committee	
Chairman	20,000
Member	10,000

⁴ There are no termination, retirement and post-employment benefits granted to Directors, the CEO or the key management personnel.

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The level and mix of the remuneration of the key management personnel who are not Directors or the CEO (or equivalent) for FY2014 are set out in bands of \$250,000 below:

Remuneration Band Designation of Executive	Salary %	Fees %	Bonus %	Other Benefits ⁵ %	Total %
Below \$250,000					
Personal Assistant to Directors ⁶	75	–	–	25	100
Vice President (Property Management)	70	–	25	5	100
\$250,000 to \$499,999					
Vice President (Projects)	73	–	24	3	100
Vice President (Accounts and Finance)/ Company Secretary	70	–	29	1	100
Vice President (Marketing)	68	–	28	4	100
Director – Business Development in Winfoong Group ⁷	41	–	17	42	100
\$500,000 to \$749,999					
Director – Project Management in Winfoong Group ⁷	37	–	15	48	100
\$750,000 to \$1,249,999					
–	–	–	–	–	–
\$1,250,000 to \$1,499,999					
Vice President (Administration and Personnel)/Senior Manageress in Winfoong Group ⁷	83	–	14	3	100

The aggregate amount of the total remuneration paid to the above key management personnel was approximately \$3,489,000.

Remuneration Packages of Employees who are Immediate Family Members of the Directors, or CEO of the Company

For FY2014, (a) Ms Cheong Puay Kheng, the Vice President (Administration and Personnel)/Senior Manageress in Winfoong Group, (b) Mr Cheong Tze Hong, Marc, a director and officer in charge of business development in Winfoong Group and (c) Mr Cheong Tze Hian, Howard, a director and officer in charge of project management in the Winfoong Group, were employees of the Group whose remuneration exceeded \$50,000 each during the financial year who are immediate family members of Mr Cheong Kim Pong, Mr Cheong Pin Chuan, Ms Cheong Hooi Kheng and Mr Cheong Sim Eng, who are Directors of the Company for FY2014. Ms Cheong Puay Kheng is a sibling of Mr Cheong Kim Pong, Mr Cheong Pin Chuan, Ms Cheong Hooi Kheng and Mr Cheong Sim Eng. Mr Cheong Tze Hong, Marc and Mr Cheong Tze Hian, Howard, are the sons of Mr Cheong Pin Chuan and the nephews of Mr Cheong Kim Pong, Mr Cheong Sim Eng and Ms Cheong Hooi Kheng. In addition, for FY2014, Mr Cheong Kim Pong, Mr Cheong Pin Chuan, Ms Cheong Hooi Kheng and Mr Cheong Sim Eng, who are siblings, were employees of the Group.

The Company believes that the disclosure of the detailed remuneration packages of employees, including those who are immediate family members of the Directors or the CEO (or equivalent) of the Company would be prejudicial to the Company's interests and hamper its ability to retain and nurture the Group's talent pool and hence have chosen to make disclosures in relation thereto in bands of \$250,000.

Information of the key executive officers is set out on page 4.

The Company does not have any employee share option scheme. However, Winfoong International Limited ("WIL"), one of the companies whose financial statements are consolidated with the Company's, has a share option scheme. The current share option scheme of WIL was adopted on 25 June 2013 after WIL's previous share option scheme had expired on 15 April 2012. The share option scheme of WIL enables WIL to reward and provide incentives to the prescribed classes of participants who may contribute to the growth and development of WIL and its subsidiaries.

⁵ There are no termination, retirement and post-employment benefits granted to Directors, the CEO or the key management personnel.

⁶ The Personal Assistant to Directors resigned with effect from 31 January 2014.

⁷ The accounts of the Winfoong Group have been consolidated into the accounts of the Group for FY2014 for accounting purposes.

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The details of the share option scheme of WIL are as follows:

Potential size of grants	The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of WIL and any other share option schemes adopted by WIL and its subsidiaries shall not exceed 30 per cent. of the shares in issue from time to time.
Methodology of valuing stock options	The calculation of the value of the options is based on a number of variables such as the exercise price, exercise period, interest rate, expected volatility and other relevant variables.
Exercise price of options that were granted as well as outstanding	HK\$0.1168
Whether the exercise price was at the market or otherwise on the date of grant	On the date of grant
Market price on the date of exercise	HK\$0.275 on 18 November 2014
Vesting schedule	None. The options granted under the share option scheme of WIL are exercisable from the date of grant for a period of 10 years.

With effect from 1 January 2015, the members of the Remuneration Committee are Mr Chow Yew Hon (Chairman of the Remuneration Committee), Mr Tan Tock Han, Mr Lim Jun Xiong Steven and Mr Chan Pengee, Adrian.

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

Audit and Risk Management Committee

During FY2014, the members of the audit and risk management committee (the "Audit and Risk Management Committee") are Mr Lim Jun Xiong Steven (Chairman of the Audit and Risk Management Committee), Mr Tan Tock Han and Mr Chow Yew Hon. The members of the Audit and Risk Management Committee (including the Chairman) possess recent and relevant accounting or related financial management expertise or experience.

The Audit and Risk Management Committee had full access to and co-operation of the management. The Audit and Risk Management Committee also had discretion to invite any Director or executive officer to attend its meetings and was assured of adequate resources to enable it to discharge its functions properly. KPMG LLP (an accounting firm registered with the Accounting and Corporate Regulatory Authority of Singapore), the Company's external auditors had unrestricted access to the Audit and Risk Management Committee. During FY2014, the Audit and Risk Management Committee met with the external auditors without the presence of management.

The Audit and Risk Management Committee was satisfied that the Company's external auditors and the audit engagement partner assigned to the audit had 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.

According to the Audit and Risk Management Committee's terms of reference, the Audit and Risk Management Committee's duties and responsibilities include:

- (a) reviewing the audit plan, scope and results of the external audit and its cost effectiveness;
- (b) reviewing the independence and objectivity of the external auditors annually. Where the auditors also supply a substantial volume of non-audit services to the Company, the Committee shall keep under review the nature and extent of such services, seeking to maintain objectivity, reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- (c) reviewing the interim and annual financial statements and financial announcements;
- (d) reviewing and reporting to the Board, at least annually, the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);
- (e) reviewing the results of the internal auditors' examination of the Group's system of internal controls;

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- (f) monitoring the establishment, appointments, staffing, qualifications and experience of the Company's internal audit function, including approval of the appointment and compensation terms of the head of the internal audit function, review of whether the internal audit function is adequately resourced, is independent of the activities it audits, and has appropriate standing within the Company. The internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm, or performed by a major shareholder, holding company, parent company or controlling enterprise with an internal audit staff;
- (g) reviewing, at least annually, the adequacy and effectiveness of the Company's internal audit function;
- (h) meeting with the external auditors, and with the internal auditors, in each case without the presence of the Company's management, at least annually;
- (i) making recommendations to the Board on proposal to shareholders on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- (j) reviewing policies and arrangements by which staff of the Company may, in confidence, raise concerns about any possible improprieties in matters of financial reporting or other matters and ensuring that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow up action to be taken; and
- (k) reviewing any matters relating to suspected fraud or irregularity, or suspected infringement of any Singapore laws, or regulations or rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") or any regulatory authority in Singapore, of which the Committee is aware, which has or is likely to have a material impact on the Company's or Group's operating results and/or financial position, and the findings of any internal investigations, and management's response thereto.

To enable the Audit and Risk Management Committee to discharge its functions more effectively, the Company outsourced its internal audit function to Deloitte & Touche Enterprise Risk Services Pte Ltd, a reputable international accounting firm which is not the external auditor. The internal audit function reported to the Audit and Risk Management Committee. The Audit and Risk Management Committee reviewed and approved the internal audit plan for execution. During FY 2014 the Audit and Risk Management Committee met with the internal auditors without the presence of management.

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 and Risk Management Committee has been assigned to oversee and review the effectiveness of these controls at least annually.

In FY2014, the Group with the assistance of its internal auditors carried out an exercise to review the Group's risk register which identified the key risks facing the Group and the internal controls in place to manage or mitigate those risks. Internal and external auditors conducted audits that involve testing the effectiveness of the material internal control systems in the Group. Any material non-compliance or lapses in internal controls together with corrective measures recommended by internal and external auditors were reported to the Audit and Risk Management Committee. The Audit and Risk Management Committee also reviewed the effectiveness of the measures taken by management in response to the recommendations made by the internal and external auditors. The system of internal control and risk management is continually being refined by management, the Audit and Risk Management Committee and the Board.

The Audit and Risk Management Committee reviewed the volume of non-audit services to the Company and the Group by the Company's external auditors and was satisfied that the nature and extent of such services would not prejudice the independence and objectivity of the external auditors. Hence, the Audit and Risk Management 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.

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The Board and the Audit and Risk Management Committee reviewed the appointment of different auditors for its subsidiaries and significant associates and were 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 22 (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 and Risk Management Committee and the Board were satisfied that there were adequate and effective internal controls in place to mitigate critical and significant risks relating to financial, operational and compliance matters, information technology controls, and risk management systems. The Board, together with the Audit and Risk Management Committee and management, will continue to enhance and improve the existing internal control framework to identify and mitigate these risks.

The Board has also received assurance from the Joint Managing Directors and the Vice President (Accounts and Finance) that the financial records have been properly maintained and the financial statements give a true and fair view of the operations and finances of the Group and those companies whose financial statements are consolidated with the Company's financial statements, and regarding the effectiveness of the Group's risk management and internal control systems.

The Company has a whistle blowing policy which provides a mechanism for staff of the Group in Singapore to in confidence, raise concerns about fraud and other possible improprieties in matters of financial reporting or other matters. The whistle blowing policy has a well defined process which begins with a complaint being submitted via e-mail to the Chairman of the Audit and Risk Management Committee, who will then perform a preliminary review of the complaint received. If he determines that the complaint is valid and within the scope of the whistle blowing policy, he will report it to the Audit and Risk Management Committee accordingly, which will review the facts of the complaint and follow-up with the appropriate course of action. The Company's whistle blowing policy provides assurance that employees will be protected from reprisals for whistle blowing in good faith. Anonymous complaints are not disregarded and will also be investigated.

The Audit and Risk Management Committee also meets with the management, the Vice President (Accounts and Finance) and external auditors to discuss and keep abreast of any changes to the accounting standards and issues which could have a direct impact on the Group or Company's financial statements.

With effect from 1 January 2015, the members of the Audit and Risk Management Committee are Mr Lim Jun Xiong Steven (Chairman of the Audit and Risk Management Committee), Mr Tan Tock Han, Mr Chow Yew Hon and Mr Chan Pengee, Adrian.

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. At the Annual General Meeting, the shareholders are given an opportunity to air their views and ask questions regarding the Company and the Group. The Board and management are present at the 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. All resolutions at the Annual General Meeting are put to the vote by way of poll and the detailed results of the voting for each of the resolutions are announced on the SGX-ST.

The Company believes in regular, effective and fair communication with the shareholders. The Company's website is at www.hongfok.com.sg. The Company's latest annual reports, financial results, corporate announcements and share trading information are available on the Company's website. The Company also provides an email alert service so that shareholders and investors may be automatically alerted by email once the Company releases any announcements or filings on the SGX-ST.

The Company's dividend policy is to distribute dividends based on the Company's performance, taking into consideration the resources needed for the Company's continuing operations and possible future plans. The declaration and payment of dividends will be recommended by the Directors and subject to the approval of the shareholders (or for interim dividends as determined by the Directors).

CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2014

INTERESTED PERSON TRANSACTIONS

During FY2014, 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 during the financial year under review (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)
Mr Cheong Pin Chuan	\$131,200	N.A. The Company does not have a shareholders' mandate pursuant to Rule 920 of the Listing Manual.

MATERIAL CONTRACTS

Save for the interested person transactions disclosed above and in Note 32 (Related Parties) 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 SOCIAL RESPONSIBILITY

The Group is aware of the effects of its operations and the role it plays in preserving the environment. The Group strives to encourage a more environmentally responsible culture, and has adopted various measures. During FY2014, the measures that were already in place included the use of LED lights for the roof terrace and office lobby, and the use of paint materials that are environmentally preferred as opposed to those that are not. The Group also issues circulars to encourage the tenants of The Concourse to be environmentally friendly.

The Building and Construction Authority has awarded the BCA Green Mark Platinum award for The Concourse.

DIRECTORS' ATTENDANCE AT BOARD, AUDIT AND RISK MANAGEMENT COMMITTEE, NOMINATING COMMITTEE AND REMUNERATION COMMITTEE MEETINGS FOR FY2014

	Board		Audit and Risk Management Committee	
	No. of Meetings ⁽¹⁾	Attendance	No. of Meetings ⁽¹⁾	Attendance
Executive Directors				
Mr Cheong Kim Pong	3	1	N.A.	N.A.
Mr Cheong Pin Chuan ⁽²⁾	9	9	N.A.	N.A.
Mr Cheong Sim Eng	9	9	N.A.	N.A.
Ms Cheong Hooi Kheng	9	9	N.A.	N.A.
Independent and Non-Executive Directors				
Mr Chow Yew Hon	9	9	6	6
Mr Jackson Lee	5	2	2	2
Mr Tan Tock Han	9	7	6	6
Mr Lim Jun Xiong Steven	3	3	3	3

CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2014

	Nominating Committee		Remuneration Committee	
	No. of Meetings ⁽¹⁾	Attendance	No. of Meetings ⁽¹⁾	Attendance
Independent and Non-Executive Directors				
Mr Chow Yew Hon	2	2	1	1
Mr Jackson Lee ⁽³⁾	–	–	1	1
Mr Tan Tock Han	2	2	1	1
Mr Lim Jun Xiong Steven ⁽⁴⁾	2	2	–	–

(1) This refers to the number of meetings held during FY2014 and during the period of the relevant Director's appointment. In addition to these meetings, operational matters that require the Board or Audit and Risk Management Committee, Nominating Committee or Remuneration 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.

(3) Mr Jackson Lee retired at the last Annual General Meeting on 30 April 2014.

(4) Mr Lim Jun Xiong Steven was appointed as an independent Director on 25 July 2014.

N.A.: Not applicable

INFORMATION OF THE DIRECTORS FOR FY2014

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 ⁽¹⁾	72	Attended Civil Engineering at The Technical College in Australia	Chairman of the Board	13 January 1968	29 April 2013
Mr Cheong Pin Chuan	65	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	Joint Chairman of the Board	26 July 1971	30 April 2014
Mr Cheong Sim Eng	54	Bachelor of Arts	Joint Chairman of the Board	14 May 1990	29 April 2013
Ms Cheong Hooi Kheng ⁽²⁾	62	Bachelor of Science Master of Business Administration	–	1 March 1989	29 April 2013
Mr Jackson Lee ⁽³⁾	82	Fellow of the Institute of Chartered Accountants in Australia	Chairman of Audit and Risk Management Committee and member of Nominating Committee and Remuneration Committee	1 April 1976	29 April 2013
Mr Tan Tock Han ⁽²⁾	68	–	Member of Audit and Risk Management Committee, Nominating Committee and Remuneration Committee	18 October 2001	30 April 2014

CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2014

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 Chow Yew Hon ⁽⁴⁾	64	Bachelor of Business Administration (Honours) Completed the Pacific Rim Bankers' Programme in the United States of America	Member of Audit and Risk Management Committee and Chairman of Nominating Committee and Remuneration Committee	1 April 2013	29 April 2013
Mr Lim Jun Xiong Steven ⁽⁵⁾	59	Bachelor of Commerce Fellow member of the CPA Australia and the Institute of Singapore Chartered Accountants Member of the Society of Trust and Estate Practitioners	Chairman of Audit and Risk Management Committee and member of Nominating Committee and Remuneration Committee	25 July 2014	N.A.
Mr Chan Pengee, Adrian ⁽⁶⁾	50	Bachelor of Laws Member of the Singapore Academy of Law	Member of Audit and Risk Management Committee, Nominating Committee and Remuneration Committee	1 January 2015	N.A.

(1) Mr Cheong Kim Pong resigned as a Director with effect from 31 January 2014.

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

(3) Mr Jackson Lee retired as a Director with effect from 30 April 2014.

(4) Mr Chow Yew Hon was appointed as the lead independent Director with effect from 1 September 2014.

(5) Mr Lim Jun Xiong Steven was appointed as an independent Director with effect from 25 July 2014. He was appointed as the Chairman of the Audit and Risk Management Committee, and a member of the Nominating Committee and the Remuneration Committee.

(6) Mr Chan Pengee, Adrian was appointed as an independent Director with effect from 1 January 2015. He was appointed as a member of the Audit and Risk Management Committee, the Nominating Committee and the Remuneration Committee.

N.A.: Not applicable