

CORPORATE GOVERNANCE

The Directors and management are committed to maintaining high standards of corporate governance, in line with the principles set out in the Code of Corporate Governance issued by the Committee on Corporate Governance on 21 March 2001 (the "Code") and the Best Practices Guide issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") with regard to dealings in securities. The Board has adopted a set of corporate governance practices and internal compliance code ("Internal CG Guidelines") aligned with and focusing on the substance and spirit of the Code and the Best Practices Guide.

THE BOARD OF DIRECTORS ("BOARD")

Code Principle 1: *Every company should be headed by an effective Board to lead and control the company.*

Code Principle 2: *There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

Code Principle 3: *There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.*

Board Composition and Balance - The Board currently comprises 9 members. All members of the Board except for the Chairman and the Managing Director are non-executive Directors. Of the 7 non-executive Directors, the Board considers 4 of them, being not less than one third of the Board, to be independent, thus providing for a strong and independent element on the Board capable of exercising objective judgment on corporate affairs of the Group. The independent Directors are Messrs Chee Keng Soon, Foo See Juan, Han Vo-Ta and Tang See Chim. The Board comprises business leaders and professionals with property, financial, legal and business management backgrounds. Key information on the Directors are set out on pages 14 to 15 of the Annual Report 2005. Since the last Report, two non-independent and non-executive Directors, Messrs Tan I Tong and Sim Miah Kian, have retired from the Board on 27 April 2005.

Mr Foo See Juan is a partner of a legal firm which renders professional legal services to the CDL Group from time to time. Nevertheless, the Board (excluding Mr Foo See Juan in respect of the deliberation of his own independence) is of the opinion that Mr Foo may be regarded as independent as he is capable of maintaining his objectivity and independence at all times in the carrying out of his duties and responsibilities as an independent Director.

Having diligently served on, and contributed to, the Board for more than 20 years, Mr Ong Pang Boon, a non-independent and non-executive Director, has indicated to the Board his intention not to seek re-appointment as a Director at the forthcoming Annual General Meeting of the Company to be held on 26 April 2006. The Nominations Committee will review and identify at the appropriate time suitable candidate(s) with the right qualifications, expertise and experience to fill the vacated Board position.

The Board has reviewed its composition, taking into account the scope and nature of the operations of the Group, and is satisfied that the current size of the Board is appropriate and allows for effective decision making. The standing of the members of the Board in the business and professional community, and their combined business, management and professional experience, knowledge and expertise provide the necessary core competencies to meet the Group's needs and further allow for diverse and objective perspectives on the Group's strategic direction and growth.

Roles of Chairman and Managing Director - Mr Kwek Leng Beng is the Executive Chairman of the Company. He bears primary responsibility for the workings of the Board, by ensuring its effective function, encouraging active participation in boardroom discussions and overseeing the Group's corporate governance structure and conduct. The Chairman also provides overall leadership and strategic vision for the Group. He is assisted by his brother, Mr Kwek Leng Joo, the Managing Director of the Company, in charting broad direction, strategies and policies of the Group.

The Managing Director also supervises the management team in the effective implementation of business strategies and policies and is supported by the Group General Manager of the Company in the management of the day to day operations of the Group. A key management staff, Mr Chia Ngiang Hong is not related to the Chairman or the Managing Director. Mr Chia, who joined the Group in 1981, holds a Bachelor of Science (Hons) degree in Estate Management from University of Singapore and a Distinction in Masters in Business Administration from University of Hull, United Kingdom, and is also a Fellow of the Singapore Institute of Surveyors & Valuers and a Certified Property Manager with the Institute of Real Estate Management, USA.

The Board has also established various committees with power and authority to perform key functions beyond the authority of, or without undue influence from, the Chairman and/or the Managing Director. The Board is accordingly of the view that there are adequate accountability safeguards and internal controls in place to enable the Board to exercise independent decision-making and to ensure an appropriate balance of power and authority within the spirit of good corporate governance.

Board Functions - The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves the strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of senior management. These functions are either carried out directly by the Board or through committees ("Committees") established by the Board, principally the Board Committee, Audit Committee, Nominations Committee, Remuneration Committee and Share Option Scheme Committee.

The delegation of authority by the Board to the Committees enables the Board to achieve operational efficiency by empowering these Committees to decide on matters within certain limits of authority and yet maintain control over major policies and decisions.

The Company conducts regular scheduled Board meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. The attendance of the Directors at Board and Committee meetings in 2005, as well as the frequency of such meetings, is disclosed in Table 1 of this Report. Notwithstanding such disclosure, the Board is of the view that the contribution of each Director should not be focused only on his attendance at Board and/or Committee meetings. A Director's contribution may also extend beyond the confines of the formal environment of Board meetings, through the sharing of views, advice, experience and strategic networking relationships which would further the interests of the Company.

Table 1: Directors' Attendance at Board and Committee Meetings in 2005

Name of Directors	Board	Audit Committee	Nominations Committee	Remuneration Committee	Share Option Scheme Committee
	Number of Meetings held: 5	Number of Meetings held: 7	Number of Meetings held: 1	Number of Meetings held: 1	Number of Meetings held: Nil
	Number of Meetings attended	Number of Meetings attended	Number of Meetings attended	Number of Meetings attended	Number of Meetings attended
Kwek Leng Beng	5	N.A.	1	1	N.A.
Kwek Leng Joo	5	N.A.	N.A.	N.A.	N.A.
Chee Keng Soon	5	7	1	1	N.A.
Chow Chiok Hock	5	N.A.	N.A.	N.A.	N.A.
Ong Pang Boon	5	N.A.	N.A.	N.A.	N.A.
Foo See Juan	5	7	1	N.A.	N.A.
Kwek Leng Peck	5	N.A.	N.A.	N.A.	N.A.
Han Vo-Ta	4	7	N.A.	N.A.	N.A.
Tang See Chim	4	7	N.A.	1	N.A.

Code Principle 6: *In order to fulfil their responsibilities, board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.*

Prior to each meeting, the respective members of the Board and the Committees are provided with the meeting agenda and the relevant papers submitted by the management, containing complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings. Management staff and the Company's auditors, who can provide additional insight into the matters for discussion, are also invited from time to time to attend such meetings. The company secretaries attend all Board meetings and ensure that all Board procedures are followed. The company secretaries, together with other management staff of the Company, also ensure that the Company complies with all applicable statutory and regulatory rules.

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On an on-going basis, the Directors have separate and independent access to the Company's senior management and the company secretaries. The Directors, whether as a group or individually, are entitled to take independent professional advice at the expense of the Company, in furtherance of their duties and in the event that circumstances warrant the same.

Each new Director is provided with a manual containing information on Directors' duties and responsibilities, corporate information of the Group, and Board and Company policies including the Internal CG Guidelines which also cover the Internal Code of Business and Ethical Conduct, Internal Code on Securities Trading and a schedule of matters which require Board approval. Directors are also provided regular updates and briefings from time to time by professional advisers, auditors, management and the company secretaries of new laws, rules, regulations, listing requirements, governance practices, changes in accounting standards and business and risk management issues applicable or relevant to the performance of their duties and obligations as directors.

THE NOMINATIONS COMMITTEE ("NC")

Code Principle 4: *There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good cor*

Code Principle 5: *There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.*

The NC comprises 2 non-executive and independent Directors, including the chairman of the NC, and 1 executive Director. The members of the NC are as follows:

Mr Chee Keng Soon	Chairman (Non-executive, Independent)
Mr Kwek Leng Beng	Member (Executive)
Mr Foo See Juan	Member (Non-executive, Independent)

The NC ensures a formal and transparent procedure for the appointment and re-appointment of Directors to the Board. Its responsibilities as set out in its written terms of reference include:

- considering and determining the independence of the individual Directors;
- reviewing Board and the competing time commitments faced by Directors with multiple board representations;
- nominating candidates for appointment as Directors or to fill the most senior executive positions including that of chief executive officer; and
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Other functions of the NC include carrying out an assessment of the Board's performance and evaluating the Board's performance as a whole using objective and appropriate quantitative and qualitative criteria, and taking into account also the level of participation and contribution of individual Directors towards the Board's effectiveness and competencies. The NC's evaluation of the Board for the year ended 31 December 2005 ("FY2005") was further facilitated with feedback from individual Directors on areas relating to the Board's competencies and effectiveness. The results of the evaluation process would be used by the NC, in its consultation with the Chairman of the Board, to effect continuing improvements on Board processes.

The Directors submit themselves for re-nomination or re-election at regular intervals and the Articles of Association of the Company provide that at least one-third of the Directors for the time being shall retire as Directors at each Annual General Meeting of the Company, save for the Managing Director appointed by the Board who shall not be subject to retirement by rotation while he continues to hold that office. The Articles also provide that the appointment of the Managing Director by the Board shall be for such period (except that where an appointment is for a fixed term such term shall not exceed five years) and upon such terms as they think fit.

THE REMUNERATION COMMITTEE (“RC”)

Code Principle 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Code Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A proportion of the remuneration, especially that of executive directors, should be linked to performance.

Code Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report.

The RC comprises 2 non-executive and independent Directors, including the chairman of the RC, and 1 executive Director. The members of the RC are as follows:

Mr Chee Keng Soon	Chairman (Non-executive, Independent)
Mr Kwek Leng Beng	Member (Executive)
Mr Tang See Chim	Member (Non-executive, Independent)

The RC obtains advice in respect of executive remuneration matters, as and when required, from human resource advisers or consultants within and outside of the Group.

The RC's principal responsibilities as set out in its written terms of reference are to review and recommend to the Board an appropriate framework of remuneration for the Board and senior key executives of the Company, and to review the remuneration packages, including but not limited to Directors' fees, salaries, allowances, bonuses, share options, and benefits in kind of the executive Directors, currently comprising the Executive Chairman and the Managing Director. The Group's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes bonuses), taking into account amongst other factors, the individual's performance, the performance of the Group and industry practices. No Director is involved in deciding his own remuneration.

The breakdown (in percentage terms) of the Directors' remuneration for FY2005 paid or payable to existing Directors by the Company and its subsidiaries is set out in Table 2 of this Report:

Table 2: Directors' Remuneration

	Base Salary* %	Variable Bonuses/ Allowances* %	Board/ Committee Fees** %	Other Benefits %
Above \$8,250,000 up to \$8,500,000 Kwek Leng Beng ^	8	87#	4	1
Above \$2,250,000 up to \$2,500,000 Kwek Leng Joo ^	26	65	8	1
\$250,000 and below				
Chee Keng Soon			100	
Chow Chiok Hock ^		81	19	
Ong Pang Boon ^			100	
Foo See Juan ^			100	
Kwek Leng Peck ^			100	
Han Vo-Ta			88	12
Tang See Chim			100	

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Notes:

- * The salary and variable bonuses/allowances are inclusive of employer's central provident fund contributions.
- ** These fees include Directors' fees payable to these Directors for FY2005, which are subject to approval by shareholders as a lump sum at the 2006 Annual General Meeting
- ^ Remuneration of these Directors includes remuneration paid or payable by subsidiaries of the Company.
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No options were granted by the Company to subscribe for unissued shares in the Company during the financial year under review.

During FY2005, none of the Directors had immediate family members not disclosed above who were employees of the Company and whose personal annual remuneration exceeded \$150,000.

The remuneration of the top 5 key executives (who are not Directors) is not disclosed in this Report as such disclosure does not appear to be standard industry practice currently, given the highly competitive industry conditions. The RC will continue to review the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure.

THE AUDIT COMMITTEE ("AC")

Code Principle 11: *The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.*

The AC comprises 4 non-executive Directors, all of whom are independent. The members of the AC are as follows:

Mr Chee Keng Soon	Chairman
Mr Foo See Juan	Member
Mr Han Vo-Ta	Member
Mr Tang See Chim	Member

The Board is of the view that the AC has sufficient financial management expertise and experience amongst its members to discharge the functions of the AC.

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the Group's material internal controls, including financial, operational, compliance and risk management controls at least once annually. Other duties within its written terms of reference include:

- the review with management and, where appropriate, with the external auditors of quarterly and full year financial statements issued by the Group before their submission to the Board to ensure their completeness, accuracy and fairness;
- the review, on an annual basis, of the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors; and
- the review of interested person transactions.

The AC is authorised by the Board to investigate any matters it deems appropriate within its written terms of reference and has full access to and co-operation of management. The AC may invite any Director, executive officer or employee of the Company to attend its meetings and is also authorised to seek external professional advice to enable it to discharge its functions.

The AC met with the internal and external auditors, each separately without the presence of management, once during the year. Having reviewed the nature and extent of the non-audit services provided to the Group by the external auditors for FY2005, the AC is of the opinion that the provision of such non-audit services would not affect the independence and objectivity of the external auditors.

INTERNAL AUDIT

Code Principle 13: *The company should establish an internal audit function that is independent of the activities it audits.*

Internal Audit plays an important role in monitoring an effective system of internal controls. To enable the effectiveness of the internal audit function, the internal auditors of the Company report to the Chairman of the AC and administratively to the Group General Manager of the Company. The internal auditors have been directed to meet or exceed the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The AC reviews the activities of the internal auditors on a quarterly basis and is satisfied that the internal audit function is independent of the ac

ENTERPRISE RISK MANAGEMENT

An enterprise risk management framework has been established by management since 2002 to enable significant business risks within the Group's current business environment to be identified, assessed, monitored, managed and evaluated. As part of the on-going risk management process, management conducts a risk assessment and evaluation; considers the adoption of adequate and cost-effective system of internal controls to mitigate significant business risks; and provides for significant risks to be managed through regular reviews by management and the Board or Committees. The AC has reviewed the Group's risk management processes and procedures and is satisfied that there are adequate internal controls in place to manage the significant risks identified.

INTERESTED PERSON TRANSACTIONS

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Interested Persons	Aggregate value of all interested person transactions conducted in FY2005 (excluding transactions less than \$100,000 and transactions conducted under the IPT Mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted in FY2005 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Hong Leong Investment Holdings Pte. Ltd. group of companies	\$138,371,338.79*	Property-related: \$2,399,519.61 (leases, project management, property management and maintenance, marketing and accounting and administrative services) Financial and Treasury-related: \$489,994.39 (inter-company loans) Total: \$2,889,514.00
Directors and their immediate family members	\$771,020.00	Nil

* The figure comprises the amount of (i) \$18,926,338.79 being the aggregate value of shareholders' loans extended to joint ventures involving interested persons, and where applicable, interest accrued on shareholders' loans, in FY2005, which were announced on 24 February 2006 pursuant to Rule 916(3) but not required to be aggregated for purposes of Rule 906; and (ii) \$119,445,000.00 being the Company's share of equity interest in the acquisition of Land Parcel C9 at Sentosa Cove by TC Development Pte. Ltd. which transaction was announced on 28 June 2005.

The above transactions were carried out on normal commercial terms and were not prejudicial to the interests of the Company and its minority shareholders.

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On 29 May 2003, the Company obtained shareholders' approval for the Company, its subsidiaries and its associated companies not listed on the SGX-ST or an approved exchange, over which the Company, its subsidiaries and/or interested persons have control, to enter into transactions within the categories of Interested Person Transactions set out in the Company's circular to shareholders dated 28 April 2003, with such persons within the class or classes of Interested Persons as described in the said circular, provided that such transactions are entered into in accordance with the review procedures set out in the said circular (the "IPT Mandate"). The IPT Mandate was renewed by shareholders on 27 April 2005 and given that such Interested Person Transactions are expected to occur with some degree of frequency and may arise at any time, and to allow the Group to undertake such transactions in an expeditious manner, shareholders' approval will be sought at the coming Annual General Meeting of the Company for the renewal of the IPT Mandate.

The AC has confirmed that an independent financial adviser's opinion is not required for the renewal of the IPT Mandate as the methods and procedures for determining the transaction prices of the Interested Person Transactions conducted under the IPT Mandate have not changed since the IPT Mandate was obtained on 29 May 2003, and such methods and procedures continue to be sufficient to ensure that these Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

THE BOARD COMMITTEE

The Board Committee comprises 6 Directors with authority to approve routine and other operational matters of the Company.

THE CITY DEVELOPMENTS SHARE OPTION SCHEME COMMITTEE (THE "SHARE OPTION SCHEME COMMITTEE")

The Share Option Scheme Committee comprises the following 2 members of the Board:

Mr Kwek Leng Joo (Chairman)
Mr Foo See Juan

It was set up to administer the City Developments Share Option Scheme 2001 (the "Scheme"), with such powers and duties as are conferred on it by the Board. Any matters pertaining to the Scheme and any disputes as to the interpretation of the Scheme or any rule, regulation, procedure thereunder or as to any rights thereunder are determined by the Share Option Scheme Committee.

FINANCIAL REPORTING AND INTERNAL CONTROLS

Code Principle 10: *The Board is accountable to the shareholders while the Management is accountable to the Board.*

Code Principle 12: *The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.*

The management provides all Directors, on a quarterly basis, with accounts and reports on the Group's financial performance and commentary on the competitive conditions within the industry in which the Company operates, which are reviewed by the Board at each Board meeting prior to release of the announcements on quarterly and full-year results of the Group. Monthly reports covering the Group's financial performance are also provided by the management to the Chairman and Managing Director. Apart from the periodic updates provided by the management, the Directors may at any time seek further information from, and discussion with, the management on the Group's operations and performance.

The Directors recognise that they have overall responsibility to ensure accurate financial reporting for the Group and for the Group's system of internal controls. The Board confirms that, with the assistance of the AC, it reviews the effectiveness of the Group's material internal controls system, which is monitored through a programme of external and internal audits, and is satisfied with the adequacy of such internal controls system.

While no system can provide absolute assurance against material loss or financial misstatement, the Group's internal financial controls are designed to provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained, and that financial information used within the business and for publication is reliable. In designing these controls, the Directors have had regard to the risks to which the business is exposed, the likelihood of such risks occurring and the costs of protecting against them.

COMMUNICATION WITH SHAREHOLDERS

Code Principle 14: *Companies should engage in regular, effective and fair communication with shareholders.*

Code Principle 15: *Companies should encourage greater shareholder participation at AGMs and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

The Company announces its quarterly and full-year results within the mandatory period. Material and price-sensitive information is publicly released via SGXNET on timely basis. All shareholders of the Company receive the summary report and/or annual report of the Company and the notice of the Annual General Meeting, which notice is also advertised in the press and released via SGXNET. Shareholders and investors can access information on the Company at its website at www.cdl.com.sg which provides, *inter alia*, corporate announcements, press releases and the latest financial results as disclosed by the Company on SGXNET. From time to time, the Company's senior management may consider holding briefings with analysts and the media to coincide with the release of the Group's half-year and full-year results.

At general meetings of the Company, shareholders are given the opportunity to communicate their views and ask the Directors and the management questions regarding matters affecting the Company. The chairman of the AC, NC and RC and the external auditors were present at the last Annual General Meeting, and will endeavour as far as reasonably practicable to be present at the coming Annual General Meeting to address, and assist the Directors in addressing queries raised by the shareholders.

In accordance with the Articles of Association of the Company, shareholders may appoint one or two proxies to attend and vote at the general meetings in their absence. CPF investors of the Company's securities may attend shareholders' meetings as observers provided they have submitted their requests to do so with their agent banks within a specified timeframe.

BUSINESS AND ETHICAL CONDUCT

The Company has an Internal Code of Business and Ethical Conduct crystallising the Company's business principles and practices with respect to matters which may have ethical implications. The Code provides a communicable and understandable framework for staff to observe the Company's principles such as honesty, integrity, responsibility and accountability at all levels of the organisation and in the conduct of the Company's business in their relationships with customers, suppliers and amongst employees. Employees have a right to raise concerns about any real or apparent breaches of any of these principles directly with senior management or with the Head of Internal Audit.

DEALINGS IN SECURITIES

The Company has adopted an internal code on securities trading which provides guidance and internal regulation with regard to dealings in the Company's securities by its Directors and officers that is modeled on the Best Practices Guide issued by the SGX-ST on securities dealing. These guidelines prohibit dealing in the Company's securities while in possession of unpublished material price-sensitive information in relation to such securities and during the "closed period", which is defined as two weeks before the date of announcement of results for each of the first three quarters of the Company's financial year and one month before the date of announcement of the full-year financial results.