

CORPORATE GOVERNANCE

City Developments Limited (“**CDL**” or the “**Company**”) is committed to maintaining good corporate governance and business integrity in all its business activities.

To demonstrate its commitment to uphold the highest standards of corporate governance, CDL had joined the Securities Investors Association Singapore (“**SIAS**”) and its partners in making the following public Statement of Support at Singapore’s Inaugural Corporate Governance Week 2010 (organised by the SIAS) in October 2010:

“As a company we are committed to upholding high standards of corporate governance to provide shareholder value. Our Company will endeavour to meet expectations of all stakeholders. We believe practising good corporate governance is central to the health and stability of our financial markets and economy.”

CDL has adopted a set of internal guidelines on corporate governance (“**Internal CG Guidelines**”) based on the provisions of the Code of Corporate Governance 2005 (the “**CG Code**”).

The following describes the Company’s corporate governance policies and practices in its application of the principles as set out in the CG Code.

BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

Primary Functions of the Board

The Board oversees the Company’s business and its performance. Its primary functions are to set broad policies, provide guidance on and approval of strategic direction and plans for the Company, review Management performance, establish and oversee the framework for internal controls, risk management and financial reporting, and assume responsibility for good corporate governance.

Independent Judgment

There are internal controls in place to allow for effective oversight by the Board of the Company’s business and to ensure an appropriate balance of power and authority is exercisable by the Board to enable objective decision-making in the interests of the Company. Directors who are in any way, directly or indirectly, interested in a transaction or proposed transaction will declare the nature of their interests in accordance with the provisions of the Companies Act, Chapter 50, and also voluntarily abstain from deliberation on the same. The assessment criteria used by the Company’s Nominating Committee in its annual evaluation of the Directors takes into account the individual Director’s objectivity, independent thinking and judgment.

Delegation by the Board

The primary functions of the Board are either carried out directly by the Board or through committees established by the Board, namely, the Board Committee (“**BC**”), the Audit Committee (“**AC**”), the Nominating Committee (“**NC**”), the Remuneration Committee (“**RC**”), and the City Developments Share Option Scheme 2001 Committee (“**Scheme Committee**”), all collectively referred to hereafter as the “Committees”. Specific terms of reference for each of the Committees are set out and approved by the Board. The Scheme Committee ceased with effect from January 2011, following the expiry of the City Developments Share Option Scheme 2001.

The composition of each Committee can be found under the corporate directory section in this Annual Report 2010.

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 their respective written terms of reference and/or limits of delegated authority and yet maintain control over major policies and decisions. Please refer to the sections on Principles 5, 7 and 11 in this Report for further information on the activities of the NC, RC and AC.

Board Processes

Board and Committee meetings are held regularly, with the Board meeting no less than 4 times a year. The proposed meetings for each new calendar year are set out in a schedule of meetings and notified to all Board members before the start of each calendar year. Additional meetings are convened as and when circumstances warrant. Records of all such meetings including discussions on key deliberations and decisions taken are maintained. The Company’s Articles of Association allow for the meetings of its Board and Committees to be held via teleconferencing. The Board and Board Committees may also make decisions by way of circulating resolutions.

The attendance of the Directors at meetings of the Board and Committees, as well as the frequency of such meetings during the financial year under review, is disclosed below. Notwithstanding such disclosure, the Board is of the view that the contribution of each Director should not be focused only on his attendance at meetings of the Board and/or Committees. A Director's contribution may also extend beyond the confines of the formal environment of such meetings, through the sharing of views, advice, experience and strategic networking relationships which would further the interests of the Company.

Directors' Attendance at Board and Committee Meetings in 2010

Name of Directors	Board	AC	NC	RC
	Number of Meetings held: 5 Meetings attended	Number of Meetings held: 7 Meetings attended	Number of Meetings held: 1 Meetings attended	Number of Meetings held: 2 Meetings attended
Kwek Leng Beng	5	N.A.	1	N.A.
Kwek Leng Joo	5	N.A.	N.A.	N.A.
Chee Keng Soon	5	7	1	2
Foo See Juan	5	7	1	N.A.
Kwek Leng Peck	5	N.A.	N.A.	N.A.
Han Vo-Ta	4	5	N.A.	N.A.
Tang See Chim	5	7	N.A.	2
Yeo Liat Kok Philip	5	N.A.	N.A.	2

The Scheme Committee did not schedule nor hold any meetings in 2010.

Board Approval

The BC, which comprises 5 Directors with the majority of its members being non-executive, assists the Board in the discharge of its duties by deliberating on matters requiring Board review that may arise between Board meetings. It assists the Board, in particular, in approving banking-related matters such as the opening, closing and maintenance of banking accounts of the Company and the acceptance up to certain limits of banking facilities extended to the Company, operational matters relating to property development activities and other matters determined by the Board from time to time.

The Board has also adopted an internal guide wherein certain key matters are specifically reserved for approval by the Board such as the setting of strategic direction or policies or financial objectives which are, or may have material impact on the profitability or performance of the Group, decisions to commence, discontinue or modify significantly any business activity or to enter or withdraw from a particular market sector, corporate or financial structuring, decisions over new borrowings or significant amendments to the terms and conditions of existing borrowings other than in the ordinary course of business, material acquisitions and disposal of assets, adoption of corporate governance policies and any other matters which require Board approval as prescribed under the relevant legislations and regulations as well as the provisions of the Company's Articles of Association.

Board Orientation and Training

Every newly appointed Director receives a formal letter, setting out his general duties and obligations as a Director pursuant to the relevant legislations and regulations. The new Director will also receive an induction pack containing information and documents relating to the role and responsibilities of a director, the Company's business, Board processes, corporate governance practices, relevant Company policies and procedures as well as a board meeting calendar for the year with a brief of the routine agenda for each meeting. As and when necessary, the Company will conduct an induction programme for newly appointed Directors and in respect of appointments of existing Directors to Committees, which seeks to familiarise Directors with the Group's business, the Company's board processes, accounting and governance practices.

The Directors are provided with regular updates and/or briefings from time to time by professional advisers, auditors, Management and the Company Secretaries in areas such as directors' duties and responsibilities, corporate governance practices, risk management issues and changes in financial reporting standards. The Company Secretary regularly keeps them informed of the availability of appropriate courses, conferences and seminars such as those conducted by the Singapore Institute of Directors, and the Directors are encouraged to attend such training at the Company's expense. An in-house seminar on some of the latest developments in corporate governance and the proposed amendments to the Listing Rules based on the consultation paper released by Singapore Exchange Securities Trading Limited ("SGX-ST") in early 2010 was conducted by invited external speakers in July 2010 for the Directors. Directors are also at liberty to approach Management should they require any further information or clarification concerning the Company's operations.

CORPORATE GOVERNANCE

Corporate Values and Conduct of Business

The Board and Senior Management are committed to conducting business with integrity and consistent with the highest standards of business ethics, and in compliance with all applicable laws and regulatory requirements. The Company has adopted an internal code of business and ethical conduct crystallising the Company's business principles and practices with respect to matters which 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, competitors and amongst employees, including situations where there are potential conflicts of interests.

Internal Code on 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. These guidelines prohibit dealing in the Company's securities on short-term considerations and 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, and ending on the date of the announcement of the relevant results.

Principle 2: Board Composition and Guidance

Board Independence

The Board currently comprises 8 members. All members of the Board except for the Chairman and the Managing Director are non-executive Directors. Of the 6 non-executive Directors, the Board considers 5 of them, being more than half 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. No individual or small group of individuals dominates the Board's decision making. In addition to the annual review by the NC of the Directors' independence, each independent non-executive Director also submits an annual declaration regarding his independence.

The independent non-executive Directors are Messrs Chee Keng Soon, Foo See Juan, Han Vo-Ta, Tang See Chim and Yeo Liat Kok Philip. Mr Foo See Juan is a partner of a legal firm which renders professional legal services to the Group from time to time. Nevertheless, the NC and the Board (excluding Mr Foo in respect of the deliberation of his own independence) has considered Mr Foo to be 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.

Board Composition and Size

The NC reviews the size and composition of the Board and Committees, and the skills and core competencies of the Board members annually. The Board comprises business leaders and professionals with real estate, financial, banking, legal and business management backgrounds. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide the necessary core competencies to allow for diverse and objective perspectives on the Group's strategic direction and growth. Taking into account the scope and nature of the operations of the Group, the Board is satisfied that the current size of the Board is an appropriate size and its current composition provides for sufficient diversity and allows for effective decision making.

Non-executive Directors' Participation

Non-executive Directors of the Company are encouraged to participate actively in Board meetings in the development of the Company's strategic direction and plans, in the review and monitoring of Management's performance against targets. To facilitate this, they are kept informed of the Company's business and performance through periodic reports from the Management, and have unrestricted access to the Management. They also sit on various Committees established by the Board to provide constructive input and the necessary review and monitoring of performance of the Company and Management.

Principle 3: Chairman and Chief Executive Officer

Role of Chairman and the Chief Executive Officer

The Board recognises that best practices of corporate governance advocate that the chairman of the board and the chief executive officer should in principle be separate persons to ensure an appropriate balance of power, increased accountability and greater capacity of the board for independent decision making. The Board also recognises that there may be instances where the two roles are performed by one person for valid reasons, and that such a practice is not uncommon both locally and in other developed jurisdictions.

The Chairman of the Board, Mr Kwek Leng Beng, is also the Executive Chairman of the Company. As Chairman of the Board, Mr Kwek Leng Beng bears primary responsibility for the workings of the Board, by ensuring effectiveness on all aspects of its role including setting agenda for Board meetings with input from Management, exercising control over the quality, quantity and timeliness of information flow between the Board and Management. At annual general meetings and other shareholders' meetings, he plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management. As Executive Chairman, Mr Kwek Leng Beng is the most senior executive in the Company and provides overall leadership and strategic vision for the Group.

The holding of the dual roles of Chairman and Executive Chairman by the same Director, together with the strengths brought to these roles by a person of Mr Kwek Leng Beng's stature and experience, has been considered by the Board. There are internal controls in place to allow effective oversight by the Board of the Company's business to ensure an appropriate balance of power and authority is exercisable by the Board to enable objective decision-making in the interests of the Company. In view of the management structure in place, the Board is of the view that it is currently unnecessary to effect a separation of the role of the Chairman of the Board from that of the Executive Chairman to facilitate the Group's decision-making and implementation process.

Mr Kwek Leng Beng 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 has charge of the overall co-ordination of the Management team for 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.

The Group General Manager, Mr Chia Ngiang Hong, who has extensive experience in the real estate sector, has been with the Group since 1981. He is not related to the Chairman or the Managing Director.

With the establishment of 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, and the putting in place of various internal controls to allow for effective Board oversight, the Board is of the view that there are adequate accountability safeguards to enable the Board to exercise objective decision-making and to ensure an appropriate balance of power and authority within the spirit of good corporate governance.

Principle 4: Board Membership

NC Composition and Role

2 out of the 3 members of the NC, including the NC chairman, are independent. Please refer to the Corporate Directory section of this Annual Report 2010 for the composition of the NC.

The NC's main role as set out in its written terms of reference approved and adopted by the Board, is to recommend all Board and Committee appointments and re-appointments and determine the independence of each Director. The NC also reviews and recommends to the Board the appointment of key executive positions, including that of chief executive officer, chief operating officer, chief financial officer or other executive officers of equivalent rank. The Company Secretary maintains records of all NC meetings including records of discussions on key deliberations and decisions taken.

Re-nomination of Directors

The NC reviews annually the nomination of the relevant Directors for re-election and re-appointment as well as the independence of Directors. When considering the nomination of Directors for re-election and re-appointment, the NC takes into account their contribution to the effectiveness of the Board as well as their time commitment especially for Directors who have multiple board representations, and also reviews their independence.

The Articles of Association of the Company provide that at least one-third of the Directors for the time being, other than the Managing Director, shall retire as Directors at each annual general meeting of the Company ("**AGM**"). All new Directors appointed by the Board shall hold office until the next AGM, and be eligible for re-election at the said AGM. The Managing Director is appointed by the Board 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 the Board thinks fit.

Excluding the Directors above 70 years of age who are subject to annual re-nomination, namely Mr Kwek Leng Beng, Mr Chee Keng Soon, Mr Foo See Juan and Mr Tang See Chim, and the Managing Director, the remaining Directors of the Company will retire about once in three years. In accordance with the Articles of Association of the Company, Mr Kwek Leng Beng who is retiring by rotation, has offered himself for re-election at the forthcoming AGM.

CORPORATE GOVERNANCE

Annual Review of Directors' Independence

The NC reviews the independence of Directors annually according to the criteria on independence set out in the CG Guidelines. 5 out of the current 6 non-executive Directors are considered by the NC to be independent, which is more than half of the Board, thus providing for a strong and independent element on the Board capable of exercising objective judgment on corporate affairs of the Company.

When considering the independence of the Directors, the NC also reviews the Directors' other directorships, the annual declaration by the independent non-executive Directors regarding their independence and the Directors' disclosures of interests in transactions.

Directors' Time Commitments

When considering the nomination of Directors for appointment or re-election/re-appointment, the NC also takes into account the competing time commitments faced by Directors with multiple board representations. An analysis of the directorships held by the Directors is reviewed annually by the NC. Based on the analysis and the Directors' commitment and contributions to the Company which is also evident in their level of attendance and participation at Board and Committee meetings, the NC is satisfied that all Directors are able to carry out and have been adequately carrying out their duties as a Director of the Company.

Criteria and Process for Nomination and Selection of New Directors

The NC will interview the shortlisted candidates before formally considering and recommending them for appointment to the Board and where applicable, to the Committees.

In reviewing and recommending to the Board any new Director appointments, the NC will consider: (a) the candidate's independence, in the case of the appointment of a non-executive independent director; (b) the composition requirements for the Board and Committees (if the candidate is proposed to be appointed to any of the Committees) under the Company's Internal CG Guidelines; (c) the candidate's age, track record, experience and capabilities and such other relevant factors as may be determined by the NC; and (d) any competing time commitments if the candidate has multiple board representations.

Key Information on Directors

Please refer to the 'Board of Directors' section in the Annual Report 2010 for key information on the Directors, and the Notice of AGM for information on Directors proposed for re-election and re-appointment at the forthcoming AGM.

Board Renewal

As Board renewal is a continuing process, the NC reviews annually the composition of the Board and makes recommendations as and when appropriate to the Board of any new Director appointments, whether in addition to or as replacement for retiring Board members, with a view to identifying any gaps in the Board's skills set taking into account the Company's business operations.

Principle 5: Board Performance

Board Evaluation Process

The Company has in place 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 assesses the Board's performance as a whole annually, using objective and appropriate quantitative and qualitative criteria which were recommended by the NC and approved by the Board. When assessing the overall Board performance, the NC takes into consideration the feedback from individual Directors on areas relating to the Board's competencies and effectiveness. The results of the overall evaluation of the Board by the NC including its recommendation, if any, for improvements are presented to the Board.

The annual evaluation process for the individual Directors' performance comprises three parts: (a) background information concerning the Directors including their attendance records at the Board and Committee meetings; (b) questionnaires for completion by all individual Board members; and (c) NC's evaluation based on certain assessment parameters. The questionnaires and the assessment parameters were recommended by the NC and approved by the Board. The completed questionnaires are then reviewed by the NC before the NC completes its evaluation of the individual Directors. When deliberating on the performance of a particular Director who is also a member of the NC, that member excuses himself from the discussions in order to avoid any conflict of interests.

The results of the individual evaluation of the Directors are also used by the NC, in its consultation with the Chairman of the Board (who is also a member of the NC), to review, where appropriate, the composition of the Board and Committees, and to support its proposals, if any, for appointment of new members and its recommendations for the re-appointment and re-election of retiring Directors. Comments from the Directors if any concerning the Board as a whole and the general performance of the Directors are also presented to the Board.

Board Evaluation Criteria

The qualitative criteria is set out in a questionnaire covering three main areas relating to board composition, roles and responsibilities, conduct of meetings and access to information.

The quantitative criteria used to evaluate the overall Board performance comprises quarterly performance indicators which include a comparison of the Company's performance (including segmental performance) for the financial period under review against the Company's performance for the corresponding period in previous years and also *vis-à-vis* industry peers and industry averages, and other indicators such as the Company's share price performance over a historical period and *vis-à-vis* industry peers.

Individual Director Evaluation Criteria

Factors taken into account in the assessment of Directors' performance include their abilities and competencies, their objectivity and their level of participation at Board and Committee meetings including their contribution to Board processes and the business strategies and performance of the Group.

Principle 6: Access to Information

Complete, Adequate and Timely Information and Access to Management

Prior to each meeting, 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, the Company's auditors and professional advisers who can provide additional insight into the matters for discussion are also invited from time to time to attend such meetings.

Draft agendas for Board and Committee meetings are circulated to the Chairman of the Board and the chairmen of the Committees, in advance, for them to review and suggest items for the agenda. The Board and Committees are also furnished routine reports where applicable from the Management. Each of the chairmen of the AC, NC and RC provides an annual report of the respective committees' activities during the year under review to the Board. The minutes of meetings of the Committees are circulated to all Board members.

Company Secretary

The Company Secretaries, whose appointment and removal are subject to Board's approval, attend all Board and Committee meetings and ensure that all Board procedures are followed. The Company Secretaries, together with Management, also ensure that the Company complies with all applicable statutory and regulatory rules. Together with the Management, the Company Secretaries also assist the Board Chairman, the Board and Committees to implement and strengthen corporate governance practices and processes, including facilitating orientation for newly appointed Directors and appointments to Committees and continuing training and development for the Directors.

On an ongoing basis, the Directors have separate and independent access to the Company Secretaries. The duties and responsibilities of the Company Secretaries are set out in the Company's Internal CG Guidelines.

Independent Professional Advice

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. The Company has in place internal guidelines allowing the Directors to seek independent professional advice.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

RC Composition and Role

The RC comprises 3 non-executive Directors, all of whom including the chairman of the RC are independent. The RC's principal responsibilities as set out in its written terms of reference approved and adopted by the Board are to review and recommend for the endorsement of the Board, a framework of remuneration and the specific remuneration packages for each Board member, including the Executive Chairman, the Managing Director and also for the Group General Manager (who is not a Board member), which covers Directors' fees, salaries, bonuses, allowances and other benefits in kind. The Company has in place principles and/or guidelines concerning the Board's remuneration. In reviewing remuneration packages, the RC also ensures that the remuneration policies are in line with the strategic objectives and corporate values of the Company. The Company Secretary maintains records of all RC meetings including records of discussions on key deliberations and decisions taken.

CORPORATE GOVERNANCE

Principle 8: Level and Mix of Remuneration

Directors' Remuneration

In reviewing the remuneration packages, the RC, with the assistance of the human resource advisors or consultants within and outside the Group, if required, considers the level of remuneration based on the Company's remuneration policy which comprises the following 3 distinct objectives:

- To ensure that the remuneration packages are competitive in attracting and retaining employees capable of meeting the Company's needs.
- To reward employees for achieving corporate and individual performance targets in a fair and equitable way.
- To ensure that the remuneration reflects duties and responsibilities.

The remuneration of the non-executive Directors is set at a level appropriate to their degree of contribution, taking into account attendance and time spent, and their respective responsibilities. The RC also holds to the principle that non-executive Directors should not be over-compensated to the extent that their independence may be compromised. No Director is involved in deciding his own remuneration.

Longer term incentive schemes are encouraged, as and when appropriate.

Principle 9: Disclosure of Remuneration

Disclosure of Remuneration

The total compensation packages for employees including the Executive Chairman, the Managing Director and the Group General Manager comprise a fixed component (in the form of a base salary and fixed allowances) and a variable component (which includes year-end and variable bonuses, and benefits-in-kind, where applicable), taking into account amongst other factors, the individual's performance, the performance of the Group and industry practices. Each of the Directors receives a base Director's fee. Directors who serve on the various Committees (other than the BC and Scheme Committee) also receive additional fees in respect of each Committee that they serve on, with the chairmen of the Committees (other than the BC and Scheme Committee) also receiving a higher fee in respect of their service as chairman of the Committee.

The breakdown (in percentage terms) of the Directors' remuneration for FY 2010 is set out below.

Directors' Remuneration for FY 2010

	Base Salary* %	Variable Bonuses/ Allowances* %	Board/ Committee Fees** %	Other Benefits %	Total %
Above \$9,000,000 and up to \$9,250,000					
Kwek Leng Beng [^]	12	84	3	1	100
Above \$8,000,000 and up to \$8,250,000					
Kwek Leng Joo [^]	13	85	2	—	100
\$250,000 and below					
Chee Keng Soon	—	—	100	—	100
Foo See Juan [^]	—	—	100	—	100
Kwek Leng Peck [^]	—	—	100	—	100
Han Vo-Ta	—	—	100	—	100
Tang See Chim	—	—	100	—	100
Yeo Liat Kok Philip	—	—	100	—	100

* The salary and variable bonuses/allowances are inclusive of employer's central provident fund contributions.

** These fees comprise Board and Committee fees for FY 2010, which are subject to approval by shareholders as a lump sum at the 2011 Annual General Meeting as well as Audit Committee fees for FY 2010 that have already been approved by shareholders at the previous Annual General Meeting.

[^] Remuneration of these Directors includes remuneration paid or payable by subsidiaries of the Company.

The remuneration of the top 5 key executives (who are not Directors) is not disclosed in this Annual Report 2010 as the Company does not believe it to be in its interest to disclose the identity of the top 5 key executives within the remuneration bands of \$250,000 each or to provide a breakdown of each individual's remuneration, having regard to the highly competitive human resource environment and for purposes of maintaining confidentiality of staff remuneration matters.

No options were granted by the Company to subscribe for unissued shares in the Company during FY 2010.

During FY 2010, both the Executive Chairman and the Managing Director each had an immediate family member who is an employee of the Company and whose personal annual remuneration falls within the remuneration band of \$250,000 and below.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

Accountability of the Board and Management

The Board provides shareholders with quarterly and annual financial results. Results for the first 3 quarters are released to shareholders within 45 days of the end of each quarter whilst annual results are released within 60 days from the financial year end. In presenting the Company's annual and quarterly results, the Board aims to provide shareholders with a balanced and understandable assessment of the Company's performance and financial position with a commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which it operates. For the financial year under review, the Chief Financial Officer provided assurance to the AC on the integrity of the quarterly financial statements and the Board in turn provided a negative assurance confirmation to the shareholders in accordance with the regulatory requirements.

The Management provides all Directors with a monthly financial summary of the Group's 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 financial reporting and internal controls system, which is monitored through a programme of internal and external audits, and is satisfied with the adequacy of such internal controls system.

Principle 11: Audit Committee

Composition of the AC

The AC comprises 4 non-executive Directors, all of whom including the chairman of the AC are independent. The AC has sufficient financial management expertise and experience amongst its members to discharge its functions within its written terms of reference approved and adopted by the Board.

Powers and Duties of the AC

The AC is authorised by the Board to investigate any matters it deems appropriate within its terms of reference and has full access to and co-operation of Management. It may invite any Director, 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 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 financial reporting process and material internal controls, including financial, operational, compliance and risk management controls. Other duties within its written terms of reference include:

- to review with Management and, where appropriate, with the external auditors the quarterly and full year financial statements to be issued by the Group before their submission to the Board to ensure their completeness, accuracy and fairness;
- to review, on an annual basis, the scope and results of the external audit and its cost-effectiveness and the independence and objectivity of the external auditors, and also the nature and extent of any non-audit services provided by the external auditors to the Group;
- to review the effectiveness of the internal audit ("IA") function;
- to review annually with Management, the internal and external auditors the results of their review on the Company's material internal controls, including financial, operational and compliance controls, and risk management policies and systems;
- to make recommendations to the Board on the nomination for the appointment, re-appointment and removal of external auditors, and to approve the remuneration and terms of engagement of the external auditors;
- to approve the appointment, resignation or dismissal of the Head of IA; and
- to review interested person transactions.

CORPORATE GOVERNANCE

The AC held 7 meetings during the year and carried out its duties as set out within its terms of reference. The Company Secretary maintains records of all AC meetings including records of discussions on key deliberations and decisions taken. The AC meets with the internal and external auditors, each separately without the presence of Management, annually.

In performing its duties, the AC also took guidance from the Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee in October 2008 ("**ACGC Guidebook**"). For the financial year under review, the AC conducted a self-assessment of its effectiveness in the discharge of its roles and responsibilities. To facilitate the assessment process, the AC adopted a self-assessment checklist ("**AC Self-Assessment Checklist**") based on the guidance from the ACGC Guidebook.

The AC Self-Assessment Checklist covered the AC terms of reference, memberships and appointments, meetings, training and resources, financial reporting, internal financial controls and risk management systems, internal and external audit processes, whistle-blowing, relationships with the Board, communication with shareholders and contribution of AC members to the AC deliberations and decisions.

Based on the self-assessment, the AC agreed that continuing development and improvement of the AC processes is an ongoing process and that the AC has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

External Auditors

The AC also noted and reviewed the nature and extent of the non-audit services provided to the Group by the external auditors for FY 2010, and is of the opinion that the provision of such non-audit services did not affect the independence and objectivity of the external auditors. Accordingly, the AC has recommended to the Board the nomination of KPMG LLP for re-appointment as external auditors.

Whistle-blowing Policy

CDL has in place a whistle-blowing procedure where staff of the Company can raise in confidence, whether anonymously or otherwise, concerns on possible improprieties relating to accounting, financial reporting, internal controls and auditing matters, without fear of reprisals in any form. The AC has the responsibility of overseeing this policy which is administered with the assistance of the Head of IA. Under these procedures, arrangements are in place for independent investigation of such matters raised and for appropriate follow up action to be taken.

The Company is committed to maintaining procedures for the confidential and anonymous submission of reports and the anonymity of the staff concerned will be maintained where so requested by the staff who lodged the report. Investigations of such reports will be handled on a confidential basis to the extent permissible or deemed appropriate under the circumstances, and involve persons who need to be involved in order to properly carry out the investigation and will, on a best efforts basis, be carried out in a timely manner.

Interested person transactions

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 last renewed by the shareholders on 28 April 2010 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.

Particulars of interested person transactions required to be disclosed under Rule 907 of the Listing Manual of the SGX-ST are as follows:

Interested Persons	Aggregate value of all interested person transactions in FY 2010 (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 FY 2010 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Hong Leong Investment Holdings Pte. Ltd. group of companies	\$ 17,741,532.77*	<p><u>Property-related</u> \$19,286,578.44</p> <p>(a) provision to interested persons of</p> <p>(i) project management services;</p> <p>(ii) carpark management and operation;</p> <p>(iii) managing agent services;</p> <p>(iv) cleaning services;</p> <p>(v) security services;</p> <p>(vi) property management and maintenance services;</p> <p>(vii) marketing services; and</p> <p>(viii) building services; and</p> <p>(b) leases of premises to and from interested persons</p> <p><u>Management and Support Services</u> \$563,250.00</p> <p>- provision to interested persons of</p> <p>(i) financial services; and</p> <p>(ii) accounting and administrative services</p> <p><u>General Transactions</u> \$485,000.00</p> <p>- Sale of motor vehicle to interested person</p> <p>Total: \$20,334,828.44</p>
Director	\$4,634,760.00**	Nil

* The figure comprises the aggregate value of shareholders' loans extended to unincorporated joint ventures and/or joint venture companies involving interested persons, and where applicable, interest accrued on shareholders' loans, in FY 2010, which were announced on 24 February 2011 pursuant to Rule 916(3). The shareholders' loans referred herein have been extended by all the joint venture parties or shareholders in proportion to their respective equity interest in the joint venture and on the same terms and conditions, including the interest rate, if any, accrued or to be accrued on the shareholders' loans.

** The figure comprises the value of transaction of the sale of a property unit in the Group's development project to a relative of a Director of the Company.

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

Principle 12: Internal Controls

Internal Controls

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, including financial, operational and compliance controls and risk management policies and systems. The AC reviewed the adequacy of internal controls annually with the assistance of the internal and external auditors and the Management.

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 reviewing 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. Based on the work performed by the internal auditors as well as the statutory audit by the external auditors, the Board, through the AC, is satisfied that the operational and compliance controls, and risk management systems, are adequate to meet the needs of the Group in its current business environment.

CORPORATE GOVERNANCE

Principle 13: Internal Audit

Reporting Line and Qualification

The IA function is independent of the activities it audits. The Head of IA's primary reporting line is to the chairman of the AC with an administrative line of reporting to the Managing Director of the Company. The appointment, resignation and dismissal of the Head of IA is reviewed and approved by the AC. The AC also provides input on the annual performance appraisal of the Head of IA. The AC meets the Head of IA at least once annually without the presence of Management. The Head of IA has unfettered access to the AC, the Board and Management.

IA operates within the framework stated in its Internal Audit Charter which is approved by the AC. The standards of the Internal Audit Charter are consistent with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

Role and Activities of IA

The primary role of IA is to assist the Board to evaluate the reliability, adequacy and effectiveness of the internal controls and risk management processes of the Company, reviewing the internal controls of the Company to ensure prompt and accurate recording of transactions and proper safeguarding of assets and reviewing that the Company complies with the relevant laws, regulations and policies established by the Company.

The AC approves all IA plans and all IA reports are given to the AC, the Chairman of the Board, the Managing Director, Group General Manager, Chief Financial Officer, Company Secretary and the heads of the relevant departments. Processes are in place such that recommendations raised in IA reports are dealt with in a timely manner, with outstanding exceptions or recommendations being closely monitored and reported back to the AC.

Adequacy of IA Function

The Company has a well-established IA function with adequate resources and standing. Processes are in place to ensure that the professional competence of the IA staff is maintained or upgraded through training programmes. The AC reviews the adequacy of the IA function through a review of the IA activities on a quarterly basis and is satisfied that the IA function has adequate resources and appropriate standing within the Group to perform its functions properly.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Communication with Shareholders

The Company announces its quarterly and full-year results within the mandatory period. Material and price-sensitive information is publicly released via SGXNET on a timely basis. All shareholders of the Company receive the 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 holds briefings with analysts and the media to coincide with the release of the Group's half-year and full-year results. Media presentation slides are also released on SGXNET and available on the Company's website. In addition, the Management takes an active role in investor relations, meeting local and foreign fund managers regularly as well as participating in roadshows and conferences both locally and overseas.

Principle 15: Greater Shareholder Participation

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 AGM, and will endeavour to be present at the forthcoming AGM to 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 general meetings in their absence. All shareholders are allowed to vote in person or by proxy. CPF investors of the Company's securities may attend shareholders' meetings as observers provided they have submitted their requests to do so through their agent banks within a specified timeframe. As the authentication of shareholder identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or facsimile.

The Company provides for separate resolutions at general meetings on each substantial issue. Detailed information on each item in the AGM agenda is in the explanatory notes to the Notice of the AGM in the Annual Report 2010.

Proxy votes received in connection with the resolutions set out in the notice of general meetings are also released in an announcement after the said meetings.