

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 since 2010 in making the following public Statement of Support, which was reiterated at the 2nd Singapore Corporate Governance Week 2011 (organised by the SIAS) in October 2011:

"As an Organisation we are committed to upholding high standards of corporate governance to enhance shareholder value. 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 corporate governance 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 approve strategic direction and plans for the Company, review the Company's performance and the adequacy and effectiveness of the framework and processes for internal controls, risk management, financial reporting and compliance, and assume responsibility for good corporate governance.

Independent Judgment

All Directors are required to exercise 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") and the Remuneration Committee ("RC"), all collectively referred to hereafter as the "Committees". Specific terms of reference for the Committees are set out and approved by the Board and reviewed periodically. The composition of each Committee can be found under the 'Corporate Directory' section in this Annual Report 2011 ("AR").

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 allow the Board to maintain control over major policies and decisions. Please refer to the sections on Principles 4, 5, 7 and 11 in this report for further information on the activities of the NC, RC and AC.

Board Meetings

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 the calendar year with a view to facilitate attendance by Board members. Additional meetings are convened as and when circumstances warrant. Records of all such meetings including key deliberations and decisions taken are maintained by the Company Secretary and the minutes of meetings are also sent to all Directors for their information. The Company's Articles of Association allow for the meetings of its Board and Committees to be held via teleconferencing. The Board and the Committees may also make decisions by way of circulating resolutions.

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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 2011

	Board Number of Meetings held: 4	AC Number of Meetings held: 8	NC Number of Meetings held: 1	RC Number of Meetings held: 2
Name of Directors	Meetings attended	Meetings attended	Meetings attended	Meetings attended
Kwek Leng Beng	4	N.A.	1	N.A.
Kwek Leng Joo	4	N.A.	N.A.	N.A.
Chee Keng Soon	4	8	1	2
Foo See Juan	4	8	1	N.A.
Kwek Leng Peck	4	N.A.	N.A.	N.A.
Han Vo-Ta	4	5	N.A.	N.A.
Tang See Chim	4	7	N.A.	2
Yeo Liat Kok Philip	3	N.A.	N.A.	1
Tan Poay Seng ⁽¹⁾	N.A.	N.A.	N.A.	N.A.

(1) Mr Tan Poay Seng was appointed as a Director on 2 February 2012.

Board Approval

The Board has 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 restructuring, 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.

The BC comprises 5 Directors with the majority of its members being non-executive. The BC's principal responsibility as set out in its written terms of reference, approved and adopted by the Board, is to assist the Board in the discharge of its duties by deliberating on matters requiring Board review that may arise between Board meetings. Its duties include, in particular, assisting the Board 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.

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 Group's principal businesses, Board processes, Company's corporate governance practices and relevant policies and procedures, as well as a board meeting calendar for the year with a brief of the routine agenda for each meeting.

The Company also conducts 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 principal businesses, the Company's board processes, internal controls and governance practices. The induction programme includes briefings by the Company Secretary on board processes and corporate governance practices, by the chairmen of the relevant Committees to which the Director is newly appointed to on the roles and responsibilities of the Committees, and by various key executives of the Management on key areas of the Company's operations.

The Directors are provided with updates and/or briefings from time to time by professional advisers, auditors, Management and the Company Secretary in areas such as directors' duties and responsibilities, corporate governance practices, risk management matters and changes in financial reporting standards. During 2011, the Board and the Committees (where applicable) were also briefed by the Company Secretary on the proposed amendments to the CG Code, as well as the amendments to the Listing Rules of Singapore Exchange Securities Trading Limited ("SGX-ST") ("Listing Rules"), and their implications for the Company. The Directors are regularly kept informed by the Company Secretary 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 was conducted by invited speakers in 2011 on the topics of anti-corruption and competition laws applicable to the Company and key proposed changes to the CG Code and the Listing Rules. In addition to the training courses/programmes, Directors are also at liberty to approach Management should they require any further information or clarification concerning the Company's operations.

Principle 2: Board Composition and Guidance

Board Independence

The Board currently comprises 9 members. All members of the Board, except for the Chairman and the Managing Director, are non-executive Directors ("NEDs"). Of the 7 NEDs, the Board considers 6 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. 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 NED also submits an annual declaration regarding his independence.

The independent NEDs are Messrs Chee Keng Soon, Foo See Juan, Han Vo-Ta, Tang See Chim, Yeo Liat Kok Philip and Tan Poay Seng. 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) have 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.

All of the independent NEDs are also independent from the substantial shareholders of the Company, not being substantial shareholders themselves nor directly associated with any substantial shareholder.

Board Composition and Size

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

NEDs' Participation

NEDs are encouraged to participate actively at Board meetings in the development of the Company's strategic plans and direction, and in the review and monitoring of Management's performance against targets. To facilitate this, they are kept informed of the Company's businesses and performance through monthly and quarterly 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 Chairman of the Board, Mr Kwek Leng Beng, is also the Executive Chairman. Mr Kwek Leng Beng plays an instrumental role in providing the Company with strong leadership and vision, assisting the Board to develop policies and strategies, and ensuring that these are implemented effectively. As Chairman of the Board, he 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, and 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, he is the most senior executive in the Company and bears executive responsibility for the Group's business.

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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, is not related to the Chairman or the Managing Director.

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 may be performed by one person for valid reasons, and that such a practice is not uncommon both locally and in other developed jurisdictions.

The holding of the role of Executive Chairman by Mr Kwek Leng Beng, together with the strengths brought to this role by a person of Mr Kwek's stature and experience, has been considered by the Board. With the establishment of various Committees with power and authority to perform key functions beyond the authority of, or without the undue influence from, the Chairman or the Managing Director, and the putting in place of internal controls to allow effective oversight by the Board of the Company's business, the Board is of the view that these enable the Board to exercise objective decision-making in the interests of the Company. The Board is further of the view that it is currently unnecessary to effect a separation of the roles of the Chairman of the Board from that of the Executive Chairman to facilitate the Group's decision-making and implementation process.

Lead Independent Director

Taking cognizance of the non-separation of the roles of the Chairman of the Board and the Executive Chairman, the Board has in the spirit of good corporate governance, appointed Mr Chee Keng Soon as Lead Independent Director ("Lead ID") in February 2012 to serve as a sounding board for the Chairman and also as an intermediary between the NEDs and the Chairman. The role of the Lead ID is set out under the written terms of reference of the Lead ID, which has been approved by the Board.

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 AR for the composition of the NC.

One of the NC's main roles 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 and chief financial officer. The Company Secretary maintains records of all NC meetings including records of key deliberations and decisions taken and the minutes of meetings are also sent to all Directors for their information.

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. The recommendation of the NC on the annual nomination of the Directors for re-election and re-appointment is submitted to the Board for decision and thereafter tabled at the annual general meeting of the Company for consideration and approval by shareholders.

The Articles of Association of the Company provide that not less than 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 are 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, the remaining Directors of the Company will retire about once in three years. The Managing Director is not subject to retirement by rotation. In accordance with the Articles of Association of the Company, Mr Han Vo-Ta is due to retire by rotation at the 2012 AGM. Mr Han Vo-Ta has expressed his desire not to seek re-election.

Annual Review of Directors' Independence

The NC reviews the independence of Directors annually according to the criteria on independence set out in the Internal CG Guidelines. In reviewing the independence of Directors for 2011, the NC also noted the definition of "independent director" in the final recommendation on the proposed amendments to the CG Code. Based on the review, 6 out of the current 9 Directors are considered by the NC to be independent. With the retirement of Mr Han Vo-Ta at the 2012 AGM, 5 out of the remaining 8 Directors on the Board are considered to be independent, which will be more than half of the Board, thus providing for a strong and independent element on the Board capable of exercising objective judgment.

When considering the independence of the Directors, the NC also reviews the Directors' other directorships, the annual declaration by the independent NEDs regarding their independence, the Directors' disclosures of interests in transactions, and any other relationships between the Group and the Directors which may interfere with the Directors' exercise of objective or independent judgment.

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

Selection of candidates to be considered for appointment as Directors is facilitated through recommendations from the Directors, Management or external parties including the Company's contacts in the finance, legal and accounting professions. The NC interviews 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 considers: (a) the candidate's independence, in the case of the appointment of an independent NED; (b) the composition requirements for the Board and Committees (if the candidate is proposed to be appointed to any of the Committees) under the 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 which would contribute to the Board's collective skills; and (d) any competing time commitments if the candidate has multiple board representations.

The NC had recommended the appointment of Mr Tan Poay Seng as an independent NED, taking into consideration, *inter alia*, his extensive work and business experience in the real estate and hospitality sectors. The Board accepted the NC's recommendation and Mr Tan was appointed on 2 February 2012. Mr Tan will submit himself for re-election at the 2012 AGM.

Key Information on Directors

Please refer to the 'Board of Directors' section in the AR for key information on the Directors, and the Notice of AGM for the list of Directors proposed for re-election and re-appointment at the 2012 AGM.

Succession Planning for the Board/Board Renewal

The Board believes in carrying out succession planning for itself and the Executive Chairman to ensure continuity of leadership. Board renewal is a continuing process and in this regard, the NC reviews the composition of the Board, which includes size and mix, annually and recommends to the Board the selection and appointment of new Directors, whether in addition to the existing Board members or as replacement of retiring Board members, with a view to identifying any gaps in the Board's skills set taking into account the Company's business operations. The Board will be able to function smoothly notwithstanding any resignation or retirement of any Director given the present number of members and mix of competencies on the Board.

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Principle 5: Board Performance

Board Evaluation Process

The Company has in place a formal process for 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 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 abstains 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. Directors have separate and independent access to Management.

Draft agendas for Board and Committee meetings are circulated to the Chairman of the Board and the chairmen of the Committees respectively, 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 to the Board of the respective Committees' activities during the year. 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 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 three NEDs, 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 the most senior member of the Management team outside the Board), which covers Directors' fees, salaries, bonuses, allowances and other benefits in kind. The Company has in place principles 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 key deliberations and decisions taken and the minutes of meetings are also sent to all Directors for their information.

Principle 8: Level and Mix of Remuneration

Directors' Remuneration

In reviewing the remuneration packages of the Executive Chairman, the Managing Director and the Group General Manager, 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 the employees' duties and responsibilities.

When reviewing the structure and level of Directors' fees, the RC took into consideration the Directors' respective roles and responsibilities on the Board and Committees, changes in the business, corporate governance practices and regulatory roles and the impact of these changes on the Directors' roles and responsibilities. Other factors taken into consideration include the frequency of Board and Committee meetings, corporate performance for the financial year under review and the comparability of the Company's fee structure and level with other companies of comparable size.

No Director is involved in deciding his own remuneration.

Whilst the Company currently does not have a share option scheme in place, it will consider the establishment of other forms of longer term incentive schemes, as and when appropriate.

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The structure of the fees paid or payable to Directors of the Company for FY 2011 is as follows:

Appointment	Per annum
Board of Directors	
- Base fee	\$35,000
Audit Committee	
- AC Chairman's fee	\$55,000
- AC Member's fee	\$45,000
Nominating Committee	
- NC Chairman's fee	\$6,000
- NC Member's fee	\$4,000
Remuneration Committee	
- RC Chairman's fee	\$6,000
- RC Member's fee	\$4,000

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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) also receive additional fees in respect of each Committee that they serve on, with the chairmen of the Committees (other than the BC) 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 2011 is set out below.

Directors' Remuneration for FY 2011

	Base Salary* %	Variable Bonuses/ Allowances* %	Board/ Committee Fees** %	Other Benefits %	Total %
Above \$9,500,000 and up to \$9,750,000					
Kwek Leng Beng [^]	12	80	6	2	100
Above \$8,000,000 and up to \$8,250,000					
Kwek Leng Joo [^]	13	84	2	1	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 2011, which are subject to approval by shareholders as a lump sum at the 2012 AGM as well as AC fees for FY 2011 that have already been approved by shareholders at the 2011 AGM.

[^] 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 the AR 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, the confidential nature of staff remuneration matters and so as not to hamper the Company's efforts to retain and nurture its talent pool.

For FY 2011, 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 exceeded or exceeds \$150,000 set out as follows:

	Base Salary* %	Variable Bonuses/ Allowances* %	Board/ Committee Fees^^ %	Other Benefits %	Total %
Above \$250,000 and up to \$500,000					
Employee who is the immediate family member of:					
1) the Executive Chairman^	39	61	–	–	100
2) the Managing Director^	31	55	14	–	100

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

^ Remuneration of these employees includes remuneration paid or payable by subsidiaries of the Company.

^^ These fees comprise Board fees paid or payable by Millennium & Copthorne Hotels plc for FY 2011.

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 Group's annual and quarterly results, the Board aims to provide shareholders with a balanced and understandable assessment of the Group'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 respect of the unaudited financial statements for the first three quarters in accordance with the regulatory requirements.

The Management provides all Directors with monthly financial summary of the Group's performance.

Principle 11: Audit Committee

Composition of the AC

The AC comprises four NEDs, all of whom including the chairman of the AC are independent. The chairman of the AC and at least one other member of the AC has audit, accounting and finance background and experience, whilst the remaining members of the AC have legal backgrounds.

With the current composition, the AC believes that it has sufficient accounting and financial management expertise and experience to discharge its functions within its written terms of reference.

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 responsibilities.

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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 (including reviewing the accounting policies and practices of the Company and the Group on a consolidated basis) and key 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 and approve the audit plans of the external and internal auditors;
- 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 to review on a periodic basis 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 and evaluation of the Company's key 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 falling within the scope of Chapter 9 of the Listing Manual.

The AC held 8 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 key deliberations and decisions taken and the minutes of meetings are also sent to all Directors for their information. The AC meets with the internal and external auditors, each separately without the presence of Management, annually.

For the financial year under review, the AC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities. The assessment was facilitated through the use of a self-assessment checklist ("AC Self-Assessment Checklist") based on the guidance from the Guidebook for Audit Committees in Singapore issued in October 2008 ("ACGC Guidebook").

The AC Self-Assessment Checklist covered the AC terms of reference, composition, 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 believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

External Auditors

Taking cognizance that the external auditors should be free from any business or other relationships with the Group that could materially interfere with their ability to act with integrity and objectivity, the AC undertook a review of the independence of KPMG LLP ("KPMG") and gave careful consideration to the Group's relationships with them during 2011. In determining the independence of KPMG, the AC reviewed all aspects of their relationships with them including the processes, policies and safeguards adopted by the Group and KPMG relating to audit independence. The AC also considered the nature of the provision of the non-audit services in 2011 and the corresponding fees and was of the opinion that such non-audit services and fees did not impair or threaten the audit independence. Based on the review, the AC is of the opinion that KPMG is, and is perceived to be, independent for the purpose of the Group's statutory audit.

For details of the fees paid and/or payable by the Group in respect of audit and non-audit services for FY 2011, please refer to note 29 of the Notes to the Financial Statements.

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2012, the AC had considered the adequacy of the resources, experience and competence of KPMG. Consideration was also given to the experience of the engagement partner and key team members in handling the audit of multi-listed entities under different jurisdictions and in the real estate and hospitality segments. The size and complexity of the audit of the Group, and the number and experience of the supervisory and professional staff assigned were taken into account. The AC had also considered the audit team's ability to work in a co-operative manner with Management whilst maintaining integrity and objectivity.

On the basis of the above, the AC has recommended to the Board the nomination of KPMG for re-appointment as external auditors at the 2012 AGM.

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 20 April 2011 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 2012 AGM of the Company for the renewal of the IPT Mandate.

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 2011 (excluding transactions less than \$100,000 and transactions conducted under the IPT Mandate pursuant to Rule 920) \$'000	Aggregate value of all interested person transactions conducted in FY 2011 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than \$100,000) \$'000
Hong Leong Investment Holdings Pte. Ltd. group of companies	514,473*	<div>Property-related:</div> <div>(a) provision to interested persons of (i) managing agent services; (ii) cleaning services; and (iii) security services; and</div> <div>(b) leases of premises to and from interested persons</div> <div>Total:</div> <div>1,301</div> <div>289</div> <div>1,590</div>
Director	Nil	Nil

(i) 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 2011, which were announced on 10 February 2012 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; and

(ii) the aggregate value of joint ventures between the Company or its wholly-owned subsidiaries with interested persons for the joint acquisition of land parcels. These transactions were announced pursuant to Rule 916(2).

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.

CORPORATE GOVERNANCE

Principle 12: Internal Controls

Internal Controls

The Directors recognise that they have overall responsibility to ensure proper financial reporting for the Group and effectiveness of the Group's system of internal controls, including financial, operational and compliance controls, and risk management policies and systems. The boards of the Group's separately listed subsidiaries are responsible for the oversight of their respective groups' internal controls and risk management systems and the Directors rely on the Company's nominees to the boards of these listed subsidiaries to provide oversight together with the other board members on the adoption and implementation of appropriate corporate governance practices, internal controls and risk management systems.

The internal controls structure of the Group has been designed and put in place by the Group's business units to provide reasonable assurance against material financial misstatements, for the safeguarding of assets, for the maintenance of proper accounting records, for the provision of financial and other information with integrity, reliability and relevance, and in compliance with applicable laws and regulations. However, no internal controls system can provide absolute assurance in view of inherent limitations of any internal controls system against the occurrence of human and system errors, poor judgment in decision-making, losses, fraud or other irregularities.

The AC reviewed the adequacy of the Group's key internal controls that address the Group's financial, operational and compliance risks, with the assistance of the internal and external auditors and the Management.

Based on the work performed by IA during the financial year, as well as the statutory audit by the external auditors, and the assurance from Management, the Board, with the concurrence of the AC, is of the opinion that, in the absence of any evidence to the contrary, the system of internal controls in place is adequate to address in all material respects the financial, operational and compliance risks within the current scope of the Group's business operations.

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 and reviewed on an annual basis. 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. The Head of IA and Audit Managers are all Certified Internal Auditors accredited 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 approved the annual IA plan in February 2011 and received regular reports during 2011 on the progress of the audit work under the IA plan. 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. IA findings and recommendations were also reviewed and discussed at AC meetings. The AC was satisfied that recommendations made were dealt with by the Management in a timely manner, with outstanding exceptions or recommendations being closely monitored and reported back to the AC.

The AC reviewed the effectiveness and adequacy of the IA function through a review of the IA activities on a quarterly basis as well as its annual assessment of the IA function. The assessment was facilitated through the use of an evaluation framework modeled on the framework recommended in the ACGC Guidebook. The evaluation framework is

comprehensive and covers IA organisation, resources and continuing training, audit plans work scope, quality of reports and recommendations, IA Charter and IA internal control assessment. Based on the assessment, the AC is satisfied with the quality and effectiveness of the IA function and that the IA function is currently adequately resourced and has 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. The financial statements and other presentation materials presented at the Company's general meetings, including material and price-sensitive information, are disseminated and 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 AGM, 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 encouraged to ask the Directors and the Management questions regarding matters affecting the Company. The chairmen of the AC, NC and RC and the external auditors were present at the last AGM, and will endeavour to be present at the 2012 AGM to assist the Directors in addressing queries raised by the shareholders.

The Company provides for separate resolutions at general meetings on each substantial issue, including treating the re-election or re-appointment of each Director as a separate subject matter. Detailed information on each item in the AGM agenda is provided in the explanatory notes to the Notice of the AGM in the AR. The Company also maintains minutes of the AGM, which includes the key comments and queries raised by shareholders and the responses from the Board, Management and/or the external auditors.

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 or electronic means.

Pursuant to the Articles of Association of the Company, all resolutions put to the vote at a general meeting of the Company shall be decided on a show of hands unless before or upon the declaration of the result, a poll is demanded as follows:

- (i) by the Chairman of the meeting;
- (ii) by not less than five members present in person or by proxy and entitled to vote at the meeting;
- (iii) by a member or members present in person or by proxy and representing no less than 10 per cent. of the total voting rights of all members having the right to vote at the meeting; or
- (iv) by a member or members present in person or by proxy and representing no less than 10 per cent. of the total number of paid-up shares of the Company (excluding treasury shares).

In support of greater transparency and to allow for a more efficient voting system, the Company intends to provide electronic poll voting instead of voting by show of hands at the 2012 AGM in respect of all resolutions proposed at the AGM. With electronic poll voting, shareholders present in person or represented by proxy at the meeting will be entitled to vote on a 'one share, one vote' basis. The voting results of all votes cast in respect of each resolution will also be instantaneously displayed at the meeting and announced via SGXNET after the 2012 AGM.

CORPORATE GOVERNANCE

Code of Business Conduct and Ethics

The Board and Senior Management are committed to conducting business with integrity and consistent with high standards of business ethics, and in compliance with all applicable laws and regulatory requirements. The Company has adopted an internal code of business conduct and ethics which sets out the Company's ethical values and business principles and provides a communicable and understandable framework for staff to observe these values and principles such as honesty, integrity, responsibility and accountability at all levels of the organisation. The code is available on the Company's intranet and is easily accessible by all employees.

The code provides guidance on issues such as:

- conflicts of interest and the appropriate disclosures to be made;
- the Company's stance against corruption and bribery;
- compliance with applicable laws and regulations including those relating to the protection of the environment and the conservation of energy and natural resources;
- compliance with Company's policies and procedures, including those on internal controls and accounting;
- safeguarding and proper use of Company's assets, confidential information and intellectual property rights, including the respect of the intellectual property rights of third parties; and
- competition and fair dealing in the conduct of the Company's business, in its relationships with customers, suppliers, competitors and towards its employees.

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 as well as any breach of the Code of Business Conduct and Ethics, 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.

In order to facilitate and encourage the reporting of such matters, the policy was amended in 2011 to provide for dedicated communication channels which include a whistle-blowing email account at cdl.ethics.hotline@cdl.com.sg and specific contact numbers which are secure.

The whistle-blowing policy is available on the Company's intranet and is easily accessible by all employees. Management also plans to make the whistle-blowing policy available on the Company's website during the year 2012.

Internal Code on Dealings in Securities

The Company has adopted an internal code on securities trading which sets out the implications of insider trading and 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. The Directors and employees of the Company are notified in advance of the commencement of each "closed period" relating to dealing in the Company's securities. The internal code on securities trading is available on the Company's intranet and is easily accessible by all employees.

12 March 2012