



Securities Investors Association (Singapore)

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Issuer: City Developments Limited

Stock code: C09

Meeting details:

Date: 28 April 2022

Time: 11.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As noted in the chairman's statement, the group returned to profitability with a net profit of \$97.7 million. The group's property development segment performed strongly, achieving a record \$4.3 billion in revenue. It is expected that the group's hotel operation is poised for a long-awaited rebound, boosted by imminent pent-up demand for tourism and corporate travel.

The group has a "GET" (Growth, Enhancement and Transformation) strategy which seeks to leverage the group's strong residential pipeline, the recovering hotel operations, redevelopment and enhancement of existing properties as well as fund management.

- (i) **Singapore property development:** While the group reported a record \$4.3 billion in property sales achieved for 2,185 units in 2021, this included the share of joint venture partners. **What are the sales level and the equivalent units sold after accounting for the group's share in the JV?**
- (ii) **Cooling measures:** The group acquired Government Land Sales (GLS) sites at Northumberland Road, Tengah Garden Walk and Jalan Tembusu, along with a residential development parcel at 798 and 800 Upper Bukit Timah Road via an off-market agreement. **What is management's view of the Singapore property market after the government introduced new cooling measures in December 2021? How does it affect the group's pipeline and the redevelopment/launch plans?**
- (iii) **Private Rented Sector (PRS):** As the group continues to broaden its PRS portfolio, **what is the amount earmarked for PRS in terms of capital allocation? What is the targeted geographical distribution for the PRS portfolio? Would a REIT structure be more appropriate for a PRS business?**
- (iv) **China:** China remains one of the group's key overseas markets. In September 2021, the group announced the divestment of its 50.01% joint controlling interest in Sincere Property Group to mitigate being engaged in a long drawn bankruptcy reorganisation. **Can management help shareholders better understand its refreshed China strategy?**

Q2. Management has stated that it is actively pursuing growth in the fund management business organically and via mergers and acquisitions. There are immediate plans to establish a Singapore-listed REIT with UK commercial assets. The group has also taken a strategic stake in Singapore-listed IREIT Global in April 2019.

The target for the fund management segment is US\$5 billion in assets-under-management (AUM) by 2023.

- (i) **Can management provide greater clarity to the timeline, the size and the assets of its planned listing of a REIT for its UK commercial assets?**
- (ii) **How does the market uncertainty affect the planned listing?**
- (iii) **Can management clarify if the target of US\$5 billion includes capital from the group's own balance sheet or solely external funds?**
- (iv) **Is the group "late to the game"? The largest investment manager globally and in Singapore have AUM upwards of \$350 billion and \$110 billion respectively. What is the value proposition of the group in the fund management business when compared to other real estate investment managers?**
- (v) **How will the group be raising funds? What is the targeted profile of its LP investor base?**
- (vi) **Who is leading the group's fund management business?**
- (vii) In addition, at the annual general meeting scheduled to be held on 28 April 2022, the company is proposing to distribute 144.3 million units of stapled securities in CDL Hospitality Trusts to shareholders of the company. If approved, shareholders will receive 0.159 CDLHT unit for each ordinary share. **How was the number of stapled securities to be distributed determined?** The company will continue to hold 27% of CDLHT after the proposed distribution. **Are there plans to further reduce the company's holding of CDLHT in the future?**

Will the company be arranging for odd-lot trading with one or more of the brokers so that shareholders can round off their holdings to the appropriate lot size?

Q3. The group's 5-year financial highlights can be seen on page 13 of the annual report (extract shown below). Profit attributable to owners of the company was \$98 million in 2021. Over the past 5 years, the cumulative loss attributable to owners of the company was \$(175) million due to the \$(1.92) billion loss in FY2020. In FY2020, excluding the effects of Sincere Property Group, the loss would have been \$(140) million.

OVERVIEW

5-YEAR FINANCIAL HIGHLIGHTS

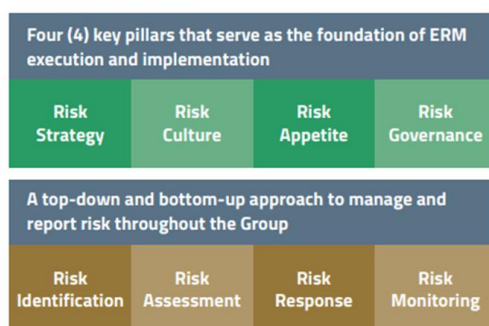
Year	2017 ⁽¹⁾	2018	2019	2020	2021
For the financial year (\$'million)					
Revenue	3,829	4,223	3,429	2,108	2,626
Profit before tax	763	876	754	(1,791)	228
Profit for the year attributable to owners of the Company (PATMI)	522	557	565	(1,917)	98

(Source: company annual report)

The reported net asset value per share of \$9.28 as at 31 December 2021 is near to the FY2014 NAV of \$9.25 as at 31 December 2014 although it is noted that the company continued paying dividends every year, even in FY2020 albeit at a lower level.

The group's approach to risk management is set out in the 'Risk Management' section on pages 57 to 62 of the annual report.

CDL'S ERM Framework



Guiding Principles

- Line managers are to own risks and be accountable.
- Risk management activities are to hinge not only on processes and systems, but equally on a right mindset and attitude.
- Risk management is to be benchmarked against global best practices.

(Adapted from company annual report)

- (i) **Can the audit and risk committee help shareholders understand if it has made further improvements to the risk identification and risk assessment processes?**

- (ii) **What training does the group provide to the risk owners to recognise, identify and quantify risks?**
- (iii) **How effective is the governance structure at ensuring appropriate oversight and accountability (page 57; Risk culture)?**

The group's risk strategy is based on the belief that risk management is the responsibility of all employees and that it must be integrated into strategy formulation, capital allocation, decision making, and day-to-day operations. Specifically, in the area of investment and divestment, the company has stated the following:

Investment/Divestment Risk	
The Group is exposed to the risk of deployment of capital into investments that fail to meet target returns, due to inadequate planning or errors in underlying assumptions.	We manage this risk by: a) Conducting a comprehensive analysis including due diligence and feasibility studies to evaluate investment and divestment decisions. b) Reviewing and updating investment thresholds and parameters, to be in line with changing strategies and business environments. c) Close monitoring of portfolio performance to ensure that it is on track to meet set targets.

(Source: company annual report)

- (iv) **How does the board ensure that, as the third line of defence in the risk governance structure, it avoids groupthink and that there is a full and frank exchange of views, with contributions from all directors, leading to robust and constructive debate?**
- (v) **Can the nominating committee help shareholders understand if the non-executive directors have the appropriate balance and mix of skills, knowledge, experience, especially in real estate, hospitality and fund management, to engage in effective and constructive debate with the executive directors?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
 (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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