

RISK ASSESSMENT & MANAGEMENT

Risk assessment and management is an integral part of the strategic and operational decision-making process of CMA.

CMA maintains a prudent risk profile through a risk analysis framework that identifies, measures and mitigates relevant risks and exposures where possible. Potential risks include:

CREDIT RISK

Joint venture partners or fund investors may not be able to fulfil their contractual obligations or may not be able to make unexpected capital calls, resulting in financial loss to CMA.

Processes are established to mitigate such risk, through credit evaluation and monitoring of risk associated with the counterparty and quantifying any potential contingent obligations.

DEVELOPMENT AND CONSTRUCTION RISK

The construction and developments of new projects usually take a few years to complete, depending on project size and complexity. There is potential risk that such development and construction projects may not be completed within the anticipated time frame and budget. CMA contains such risk through regular monitoring of the progress of these projects and quantifying the associated risk using the Value-at-Risk model.

FOREIGN EXCHANGE RISK

CMA operates internationally and is exposed to various currencies. It maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments. This enables CMA to limit translation exposure to its balance sheet arising from consolidation of its overseas net assets.

INTEREST RATE RISK

CMA's interest rate risk exposure relates mainly to its financial liabilities. This is managed through a prudent and balanced mix of fixed and floating rate borrowings. CMA actively reviews its debt portfolio, taking into account the investment holding period and nature of the assets. This strategy allows CMA to capitalise on less expensive funding in a low interest rate environment and achieve a certain level of protection against rate increases as well as tap on diversified sources of funding. Where appropriate, CMA hedges its interest rate exposure using interest rate swaps for specific underlying debt obligations.

LIQUIDITY AND REFINANCING RISK

To meet capital, refinancing and operating needs, CMA manages its liquidity and refinancing risks by actively managing its operating cash flows, setting up sufficient credit facilities and ensuring its debt maturity profile is well spread out.

PROPERTY RISK

Real estate markets are cyclical and significantly affected by global and local conditions, such as government regulations, competition, consumer confidence and demand and supply. Existing and new exposures are evaluated with the Value-at-Risk model adopted from the banking industry and tailored for real estate-specific risks. Stress testing and scenario analyses are performed, and all financial assumptions of project cash flows are benchmarked to ensure forecasts are objective.

Moving forward, CMA will continue to review and adjust its risk management systems and methodologies so as to manage risks proactively, preserve capital and enhance shareholders' value. CMA's key risk management principle remains its endeavour to minimise risk.