

MARKET OUTLOOK

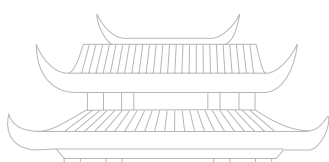
House prices rose quickly last year on the back of economic recovery and supportive credit policies. Prospects remain promising in the cities where our development projects are located.

The IMF's recent revision of its China GDP growth forecast to 10.0% in 2010 exemplifies heightened optimism among forecasters regarding China's economic outlook. The central government is beginning to recalibrate policy in response to the improving domestic economic situation. In view of the fragile state of the global recovery, it is reported that the government will remain vigilant as it unwinds stimulus policies at a measured pace, while retaining flexibility to adjust its policy stance should circumstances dictate.

House prices rose quickly last year on the back of economic recovery and supportive credit policies leading to growing public concerns. In response, the State Council late last year announced measures intended to restore a balance between supply and demand, thus providing the conditions for steady price growth broadly in line with household income. The focus of the present round of policy is to expedite the pace of housing development, including building five million affordable homes and renovating two million low-quality houses this year.

Prospects remain promising in the cities where our development projects are located, namely Wuhan, Foshan, Chongqing, Dalian, Shanghai and Hangzhou. Wuhan secured State Council approval on 8 March for its positioning as the hub city of Central China, and its economy has advanced relative to its peers, rising to fifth place among Chinese mainland sub-provincial cities in terms of GDP last year from eighth place in 2008. The opening of the Wuhan-Guangzhou high-speed rail line on 26 December 2009 halved the journey time between the two cities to less than three hours, placing Wuhan at the core of the rapidly growing national high-speed rail network. Foshan is an economic powerhouse that is relatively unknown overseas but moved up six places to rank fifth in terms of economic growth rate among the largest 20 Chinese mainland cities in 2009. Integration with neighbouring Guangzhou is proceeding apace with the expected opening this year of rapid transit links that will cut the journey time between the two cities to around half an hour, and lead to the formation of an urban megacity with a combined population of over 16 million.

Chongqing's status as the pre-eminent regional economic centre of West China was cemented when it was designated one of China's five national central cities





Show flat of The Riverview at Wuhan Tiandi

in the “national urban system plan” recently formulated by the Ministry of Housing and Urban-Rural Development (MOHURD). The national central cities — Beijing, Tianjin, Shanghai and Guangzhou — are all located in coastal areas, making Chongqing the only city with this status in West and Central China. Dalian’s software and service outsourcing sector posted 30.7% revenue growth in 2009, benefiting from robust domestic demand as well as corporate cost-cutting in a sluggish global economy. The Dalian Tiandi project, as a part of Dalian Software Park Phase II, is poised to benefit from this sector’s outstanding growth. Going forward, the sector will benefit from the long-term plan to develop Dalian’s regional financial services function, including attracting financial support service centres.

Shanghai is broadening its economic model by encouraging the development of innovation-related sectors encompassing technology research, architectural design, culture and fashion. Shanghai was awarded the title of “design city” in February 2010 by the United Nations Education, Scientific and Cultural Organisation. The Knowledge and Innovation Community is therefore ideally placed to serve this trend. Meanwhile, Shanghai is expecting domestic tourist numbers to increase by 45% to 180 million this year, in addition to 7 million overseas

visitors, as it hosts the Expo 2010, providing ample business for the top class restaurants, bars, shops and boutiques located at our Xintiandi development. Neighbouring city Hangzhou will stage the West Lake International Expo comprising a series of forums and exhibitions on World-Expo related themes. The Xihu Tiandi project, located on the West Lake, is a retail, leisure and lifestyle destination that is well placed to benefit from the influx of an estimated 10 million World Expo visitors to Hangzhou this year.

Although the changing policy environment may lead to short-term fluctuations in housing sales, the industry’s fundamentals remain strong. The city-centre location of the majority of our projects represents a competitive edge that will support sales even during times of market uncertainty. We believe our unique business model and proven track records in master planning will enable us to deliver superb value and quality to our customers. Our portfolio of retail properties, including Xintiandi-style developments, will benefit from China’s economic policies to spur consumption and boost household income. We believe the prospects for our projects are excellent, and we will accelerate the pace of development in line with our aspiration to become the premier innovative property developer in the Chinese Mainland.