



A TIMELESS MASTERPIECE

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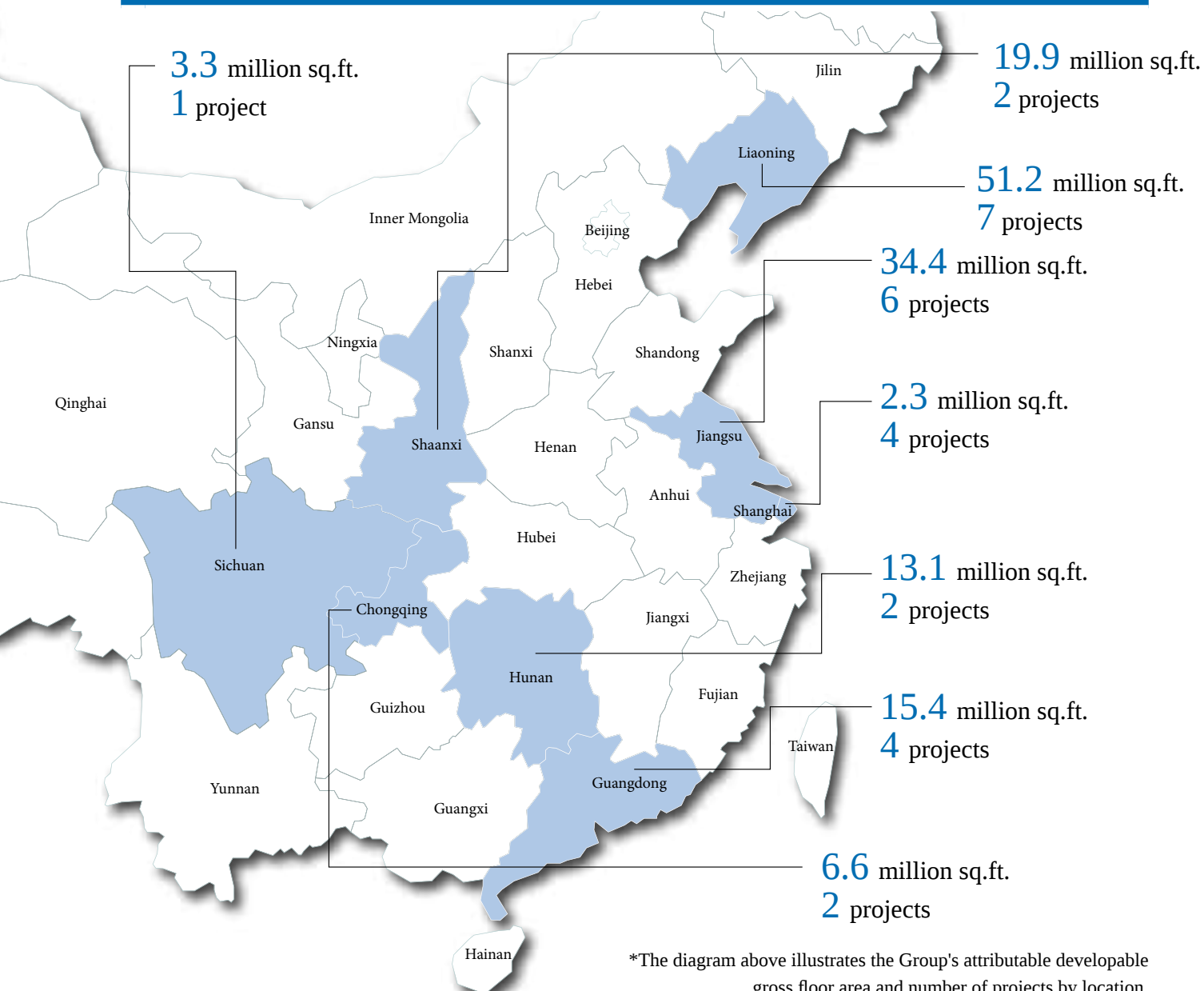
Awarded "Intelligent Building of the Year 2009", as well as LEED and BEAM certifications for its environmental friendliness and energy efficiency, wfc provides a dazzling new headquarters for global corporations, including Standard Chartered Bank (China) Limited.



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2009 HIGHLIGHTS

- Land bank in mainland China expanded with an attributable developable gross floor area of 146.2 million square feet plus 5.2 million square feet of completed properties for leasing
- Property sales attributable to the Group amounted to HK\$330 million, mainly from the remaining stocks of Hengli Wanpan Huayuan in Guangzhou
- Encouraging response received from the pre-sales of the Arch of Triumph, the first of such projects by the Group in the Mainland's second-tier cities
- Attributable gross rental income grew by 84% to HK\$497 million against an improved investment property mix and is set to increase with more completions in Shanghai



*The diagram above illustrates the Group's attributable developable gross floor area and number of projects by location.

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For the eighteen months from July 2008 to December 2009, the real estate market in mainland China swiftly experienced a consolidation, contraction, revival and rejuvenation, followed by extensive and heated growth. With timely policy adjustments and effective measures decisively implemented by the Central Government, mainland China successfully navigated out of this recessionary crisis.

The onset of global financial turmoil in the second half of 2008 and the resultant wait-and-see attitude adopted by some homebuyers put the property market into the doldrums, with a general decline in both transaction volume and transacted prices. Even though fewer land auctions were held by the local governments, there were repeated incidents of auctions being called off for some residential land sites, whilst for those land lots successfully sold, transactions were mostly recorded at the reserve price levels. In the fourth quarter of 2008, the Central Government introduced a massive economic stimulus package of RMB4 trillion and adopted a moderately loose monetary policy. Meanwhile, austerity measures targeted at the property market were relaxed and a series of preferential housing policies were put forward instead. In order to promote home purchases by end-users and stabilize the property market, the Central Bank also cut the deposit and loan benchmark rates consecutively from September 2008 onwards.

In early 2009, the property market was still being driven by pessimistic sentiment and a wait-and-see attitude, leading to a further drop in the transaction volume. However, the combined effect of the launch of a series of home-ownership incentives by the Central Government, together with a relaxation of housing loans by banks, concerted efforts made by local governments through the introduction of various subsidies for home purchases, as well as a general price cut by developers to promote property sales, led to huge pent-up demand and a considerable amount of housing stocks being subsequently snapped up. Market conditions thus improved substantially and property prices stabilized.

Starting from the latter part of the second quarter of 2009, the minimum capital requirements for certain industries (including investment in commodity housing projects) were adjusted downwards so as to stimulate further growth of fixed asset investment and to stabilize the economy. From the third quarter of 2009 onwards, land auctions became increasingly competitive and record-breaking deals were commonly seen across different cities in the country. High auction prices, together with widespread participation by developers, reflected their optimism for the market outlook. Re-ignited speculation was seen in certain cities and the housing price rally aroused the concerns not only of the general public, but also of the Central Government. By the end of 2009, the Central Government called for strengthening of credit management

and controls on risk exposure (including the tightening of individual housing credits and cancellation of preferential measures for second-home mortgages) in those regions where the property market has exhibited great volatility.

The Group is fully confident of the long-term prospects for the Mainland property market. Although a steady rise in housing price is always preferred, inevitably external economic factors, investment and speculative activities will cause some short-term ripples which the Group has been well adjusted to deal with over the years. It is an indisputable fact that mainland China is now an economic powerhouse that is fuelling global growth and its property market is set to expand even further in light of its huge and unfulfilled demand for better housing. As such, the Group will adhere to its long-term development strategy, focusing on the high-growth second-tier cities in addition to building commercial investment properties at prime sites in the prime cities. In these cities, the sales response for quality residences has been encouraging with a sustained growth in housing prices.

Backed by its rich experience in the property sector as well as its financial strength, the Group has successfully met the challenges posed by the prevailing market changes. In view of the continued economic growth in the Mainland as well as its increasing affordability, the Group will focus on developing medium to high-end residences. By employing world-renowned architects, and working with leading homegrown design houses, top-quality residences that offer the finest living conditions, design layout, complementary facilities and landscaping will be offered to prospective customers. This market positioning will also avoid competing with the low-cost economical housing. In order to ensure an overwhelming response for the presale of these quality properties, much time has been spent on designing the clubhouses, sales centres, show flats, landscape and the overall project planning. During the period, the Group has developed long-term strategic co-operation relationships with a number of leading and reputable contractors, international architects, domestic design houses and landscape planning consultants.

In the first half of 2009, many developers slashed their offer prices considerably in a bid to move their housing stocks and improve liquidity. With its solid financial strength as evidenced by its low gearing ratio, the Group was not under any pressure to deliberately lower prices. Instead, the Group capitalized on this opportunity to buy a number of sizeable land lots in scenic low-density residential areas right in the heart of the second-tier cities of Dalian, Anshan and Tieling.

As scheduled, the first phase of the “Arch of Triumph” project in Changsha was launched for pre-sale in October 2009 and all the available units were snapped up amid keen interest from homebuyers, with the achieved price setting a new record in the

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area. Highly commended was the building layout, as well as the quality design and clubhouse facility, all of which will serve as a blueprint for the Group's planning and sale of future developments in the Mainland. This was the first time the Group had applied its Hong Kong marketing techniques and strategy in tandem with local practices and customs for the sales launch of a property project in a second-tier Mainland city. The response was so encouraging

that the Group will speed up the construction of various premier development projects in the second-tier cities, whilst their marketing activities and brand promotion are also under active planning.

By the end of December 2009, the Group's Mainland land bank had an attributable developable gross floor area of 146.2 million square feet.

Land bank under development or held for future development

	Group's share of developable gross floor area* (million sq.ft.)
Prime cities	
Shanghai	2.3
Guangzhou	15.4
Sub-Total:	17.7
Second-tier cities	
Anshan	18.0
Changsha	13.1
Chengdu	3.3
Chongqing	6.6
Dalian	1.6
Nanjing	2.4
Shenyang	17.2
Suzhou	17.0
Tieling	14.4
Xian	19.9
Xuzhou	5.3
Yixing	9.7
Sub-Total:	128.5
Total:	146.2

* Excluding basement areas and car parks

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Usage of development land bank

	Developable gross floor area (million sq.ft.)	Percentage
Residential	120.0	82%
Office	8.0	6%
Commercial	13.5	9%
Others (including clubhouses, schools and community facilities)	4.7	3%
Total:	146.2	100%

“Arch of Triumph” in Changsha was highly sought-after by the market and the launch of its first phase of development was greeted with an overwhelming response. In response, the Group prepared to launch more projects for sale, whilst a number of prime sites (such as those in Dalian, Anshan and Tieling in the province of Liaoning as mentioned below) were also added to the Group’s development land bank in mainland China. Land lots newly acquired during the eighteen months ended 31 December 2009 are summarized below.

In Chengdu, the Group entered into a joint venture in July 2008 with Sun Hung Kai Properties Limited and The Wharf (Holdings) Limited on a 30:40:30 ownership basis to jointly develop a prime site of approximately 1,860,000 square feet on Dongda Avenue in this capital city of Sichuan Province. Upon completion, this high-end commercial-cum-residential development will comprise a premium office tower, a five-star hotel, a high-end shopping centre and luxury residences, providing a total gross floor area of over 11,200,000 square feet, of which about 3,360,000 square feet is attributable to the Group.

In Changsha, the Group’s joint venture company acquired a parcel of land of about 620,000 square feet in the Gaoling area in the Kaifu District for about RMB62.7 million in December 2008. This, together with the adjacent land lot with a site area of about 3,900,000 square feet acquired in October 2007 for a consideration of about RMB350 million, will be jointly developed into a large-scale residential community. A total gross floor area of about 6,700,000 square feet of high-end residences will be completed in phases, of which 81% or approximately 5,440,000 square feet is attributable to the Group.

After the Pearl River Delta and Yangtze River Delta, Pan Bohai Rim is expected to become another high growth region in mainland China. Therefore, the Group recently increased its investment in Liaoning Province following its previous successful bids for the land sites in Shenyang. In June 2009, the Group won the bids for two prime sites in Anshan, a famous industrial city in this province. An old stadium site in the city centre was acquired for about RMB462 million which will be developed into a high-end residential community with a total gross floor area of about 3,730,000 square feet against a site area of approximately 620,000 square feet. In another prestigious residential district, a land lot of approximately 5,490,000 square feet was purchased at about RMB765 million which will be built into a residential development offering a total developable gross floor area of about 14,260,000 square feet. In Dalian, a port city at the southern tip of the province, the Group acquired a land lot of approximately 3,200,000 square feet for a consideration of RMB320 million in October 2009 which will be developed into luxury, low-density residences with a total gross floor area of approximately 1,550,000 square feet. In Tieling, a neighbouring city of Shenyang, the Group also successfully bid for two sites for an aggregate consideration of approximately RMB800 million in late 2009. Of these two sites, a 2,800,000-square-foot land lot is earmarked for commercial development with an expected gross floor area of approximately 4,900,000 square feet, whilst the other land parcel is planned to be a low-density residential development with a gross floor area of approximately 9,500,000 square feet.

For the eighteen months ended 31 December 2009, property sales in mainland China attributable to the Group amounted to approximately HK\$330 million, mainly relating to the remaining stocks of Hengli Wanpan Huayuan in Guangzhou which was already completed in early 2008. Meanwhile, the Group’s attributable gross rental income grew by 84% to HK\$497 million.