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The total measured supply of significant retail centre space is currently 36.34 mil sf in 120 centres in the Klang Valley. However, not all the space is competitive and a majority is based on old models which are not capable of sustaining in the coming years. This results in an effective ratio of 6.1 sf per person.

Although this shows an overall saturated market, we believe there is room for at least another 5 mil sf of space in various forms and locations, as the most successful centres represent only a quarter of this space.

New supply entering the market in 2007 and 2008 will add another 3.36 million sf, if we take into account only the large developments including The Gardens, KL Pavilion, Sunway Phase 2 and Aeon Bukit Tinggi. The market is anticipated to become more competitive with these new behemoths. But we believe even with these, there will continue to be pockets of opportunities in some of these sub-markets.

Demand

2006 was a tough year, although generally the total retail sales turnover increased. Markets such as Johor Bahru saw a decline in total turnover per outlet for most retailers but Suria KLCC showed a stellar 22% increase to RM1.82 billion turnover for the whole year.

With the opening of the new centres this year, the turn-over per sf is expected to drop from 4Q07 and beyond, as a result of dilution of market share for each shopping centre and with it, each outlet. Market observers are anticipating the opening of KL Pavilion and The Gardens and particularly the new retailers such as Robinson and newer brands at the end of 3Q07.

Average occupancy in Klang Valley is high at about 86% for 2006 and some centres enjoy a waiting list. This is because in the poorer centres, rents are low, and upper floor or remote space in these centres are leased to trades that do not require high traffic.

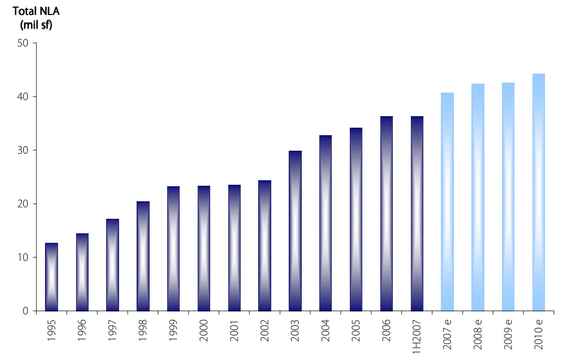
The market also saw the gradual acceptance of new concepts such as the al fresco lifestyle centre.

The Curve, which is now achieving higher sales turnover in some of its F & B outlets than those in rival centres nearby proved that as the market becomes more saturated, more investment has to go into the design and concept of the mall at planning stage.

There was an improvement in 1Q 2007 year-on-year in terms of both same store sales and total turnover. This may be attributed to the Visit Malaysia Year 2007 although some retailers complained that tourist numbers for their outlets actually dropped.

For 2006, retail centre space demand was slow as retailers worried about the potential watershed looming by end 2007 when the major extension malls and KL Pavilion are completed.

Cumulative Supply of Shopping Centres in the Klang Valley



Source: Regroup

Shopping Centre	Prime monthly Rental (RM psf)	Occupancy Rate (%)
Bangsar Shopping Centre	20.00 - 28.00	98
Lot 10	25.00 - 35.00	90
Bukit Bintang Plaza	3.50 - 35.00	97
MidValley Megamall	51.50 - 55.00	100
One Utama	15.00 - 30.00	99
Starhill	4.00 - 36.00	97
Subang Parade	12.00 - 20.00	97
Sungei Wang Plaza	35.00 - 60.00	100
Sunway Pyramid	15.00 - 25.00	100
Suria KLCC	45.00 - 75.00	100

Source: Regroup

The Curve, Mutiara Damansara