

## OUTLOOK

The industry figures for the PRC property market signify its recovery from its consolidation stage, especially for the residential market. The increase in net household incomes and the desire for improved living standards will continue stimulate individuals' demand for new and high-grade houses. It is further expected that the high level of household deposits, reasonable return from rental properties and new encouraging policies will attract funds flow into the property market.

The holding of APEC, the entry to the WTO and Beijing's successful bid for the 2008 Olympic Games will stimulate a wide range of industries, attract new foreign investments and enhance further economic reforms and real economic growth. It is anticipated that the effect will be most significant in the major cities. The management has taken actions to increase our quality landbank in Beijing and Shanghai and will continue to seek further additions through various means.

The GDP growth of the PRC is widely predicted to reach 8% this year. Some Chinese economists expect that the PRC will enjoy sustained high growth in the next two years or even longer despite the global slowdown. The property market will benefit from such long-run growth.

The completion of the acquisition of Interform, which is a building materials provider, will provide better support to project development and enhance controls over construction costs.

In view of these factors, management believes the property market will continue to record growth in excess of GDP growth in the PRC and the Group is well prepared and equipped to capture the major opportunities, the outcome of which should be significant for the Group.