

## The PRC Market

Benefited from the increase in number of new products and the expansion of market share, the sales volume of air conditioning products in the PRC increased by 17%, reaching approximately 284,000 units during the year. The price adjustment of the industry seriously affected the profit contributions of air conditioning products. However, capitalized on the effective cost control and market strategies, the gross profit of air conditioning products maintained a level similar to that of the previous year. Meanwhile, in order to expand the business of the Group's air conditioning products outside Guangdong province, the Group set up a subsidiary in Chengdu during the year with an aim to develop sales networks distribution and the performance was satisfactory.

## OEM Market in the PRC

During the year, the performance of the Group's domestic air conditioner OEM business was not satisfactory. The sales volume dropped by approximately 56% as compared to the same period last year, which amounted to approximately 51,000 units. It was because the OEM clients of the Group started to establish their factories for production during the year, so the demand for the Group's air conditioner OEM products slid and the performance of the domestic OEM air conditioners business was greatly affected. However, since the equipment of the new factories of those brown household appliance customers focused on manufacturing simple and small-sized machines while large-sized machines were still manufactured by means of OEM. Therefore, the Group continued to manufacture large-sized split-type and cabinet-type air conditioners, which were of higher gross profit, for the brown household appliance clients. Therefore, the gross profit margin of the Group's domestic OEM market for air conditioners increased as compared to that of last year.

## 國內市場

受惠於新產品數量之增加，以及市場佔有率之擴大，於年內空調產品於國內之銷售量上升了17%，約達284,000台。行業價格下調嚴重地影響空調產品之盈利貢獻，但憑藉有效的成本控制及市場策略，空調產品之毛利率仍保持與去年相若之水平。另外，為拓展空調產品於廣東省外之業務，本集團於回顧年內在成都成立分銷公司，至今成績令人滿意。

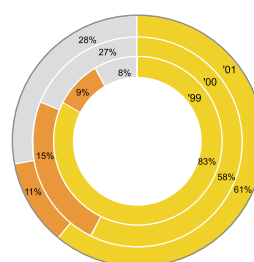
## 國內OEM市場

回顧期內，本集團之空調國內原設備生產（OEM）業務之表現未如理想，銷售量較去年同期下跌約56%，約為51,000台。這是由於本集團之OEM客戶於年內開始自行設廠生產，令本集團的空調OEM產品需求下挫，嚴重影響國內OEM空調業績表現。然而，由於黑色家電客戶之新廠設備以製造簡單之小型機種為主，大型機種則須繼續以OEM形式代為生產，因此，年內集團仍為黑色家電客戶生產難度較大且毛利較高的大型分體機及櫃機，令集團之空調國內OEM市場之毛利率較去年同期有所上升。

Sales Volume by Markets of Air Conditioner 空調銷售台數之市場分佈

Year	PRC Market	Overseas Market	PRC OEM	Total
年度	Units	Units	Units	Units
	台數	台數	台數	台數
1999	193,000	21,000	18,000	232,000
2000	243,000	62,000	117,000	422,000
2001	284,000	130,000	51,000	465,000

Sales Volume by Markets of Air Conditioner  
空調銷售台數之市場分佈



For years ended 31 December 1999-2001  
截至1999年至2001年12月31日止年度

Overseas Market 國外市場  
PRC Market 國內市場  
PRC OEM 國內OEM



## PROSPECTS OF AIR CONDITIONER MARKET

## 空調市場前景

The management of the Group believes that there is a close tie between the air conditioner business market and the economic development of the PRC. With the continuous improvement of people's living standards, the demand for air conditioners will be growing accordingly. The prospects of the air conditioner industry is very optimistic. In spite of the fact that the popularization of air conditioning products keeps on increasing, the popularization rate of air-conditioners in the urban area of the PRC maintains at about 35% while the rural market is still at the infant stage. Therefore, it is believed that there is tremendous room of development in the air conditioner industry in the PRC.

In view of this, the Group will proactively seize the opportunities arising from the PRC's entry to the WTO. The Group will strengthen the technical cooperation with international household appliance corporations, further improve the quality and profile of the air conditioners so as to satisfy the changing demand of the market. In the meantime, the Group will fully utilize its advantages in all kinds of resources and to establish a more extensive sales network. In addition, customer services of international standard will be implemented in order to provide the customers with the best product services and to further expand the Group's market share in the PRC. The Board anticipates that, capitalized on the aforementioned aggressive market strategies, the Group's air conditioner business will achieve a better performance.

在分析空調業務在國內市場之未來發展方向時，本集團之管理層認為空調業務市場與中國經濟發展息息相關，隨著人民生活水平不斷提高，國民對空調的需求亦會同時增加，空調行業之前景仍十分樂觀。儘管空調產品的普及程度一直上揚，然而，空調在國內城市之普及率仍然維持在大約35%，而農村市場卻仍停留在尚未開發的階段。由此可見，國內的空調行業依然存在龐大的發展空間。

有見及此，本集團於未來將積極掌握中國入世之契機，加強與國際家電企業的技術合作，提高空調之素質和檔次，以滿足瞬息萬變之市場需要。同時亦將充分利用各種資源優勢，建立更廣泛的銷售網絡，並實施與國際標準一致的服務準則，務求為顧客提供最完善之產品服務，進一步擴大本集團於國內之市場佔有率。董事會期望憑藉上述進取之市場策略，能為本集團之空調業務取得更佳之業績表現。