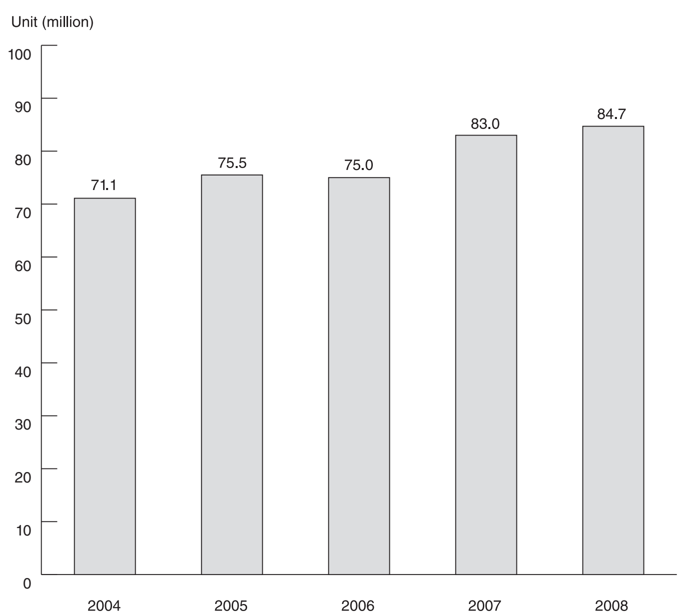
Certain facts, statistics and data presented in this section and elsewhere in this prospectus have been derived, in part, from various official government sources. Whilst the Directors have taken all reasonable care to ensure that the relevant official facts and statistics are accurately reproduced from these sources, such facts and statistics have not been independently verified by the Company, the Sponsor, the Underwriters, their respective affiliates, directors and advisers or any other parties involved in the Global Offering. The Company, the Sponsor, the Underwriters, their respective directors and advisers or any other parties involved in the Global Offering make no representation as to the accuracy or completeness of such information from official government sources, which may not be consistent with other information available and may not be accurate and should not be unduly relied upon.

OVERVIEW OF THE GLOBAL RESIDENTIAL AIR-CONDITIONER INDUSTRY

Residential air-conditioning products provide comfort to millions of homes worldwide. People lead more productive and healthy lives due to controlled temperatures and humidity in homes. Three major product types are generally available in the global residential market: Split type, window type and mobile type. In terms of sales volume, the shares of the three types are approximately 77.2%, 21.0% and 1.8%, respectively in 2008.

While the demand for air-conditioner has been progressively growing in recent years, the overall air-conditioner market in 2008 refrigeration year increased by merely 2.1% compared to 2007 refrigeration year affected by various factors including the global economy downturn and relatively cooler weather especially in areas such as Western Europe, South Africa, Middle East and Asia. In terms of major product types, split type was the only product type that maintained growth in 2008 refrigeration year, increased by 7% to 67.6 million units.

Global Residential air conditioner sales volume by refrigeration year



Source: The Annual Research Report (for 2008 Refrigeration Year) on Global Residential Air-Conditioner Industry, ChinaIOL[1]

Note:

(1) ChinaIOL, an independent third party, is a Beijing based professional website which provides business intelligence and industrial research reports for both domestic and overseas corporations in the manufacturing industry, focusing on major areas such as air-conditioning, cold chain, heating and ventilation, household devices and electrical appliances. The Annual Research Report (for 2008 Refrigeration Year) on Global Residential Air-conditioner Industry was not commissioned by the Company.

In terms of global demand for residential air-conditioners, Asia is the largest market followed by Europe and North America. With the impact of the global economic downturn, markets such as Europe and North America have been adversely affected and market growth will likely be achieved in regions such as Middle East, Africa and Latin America in 2009.

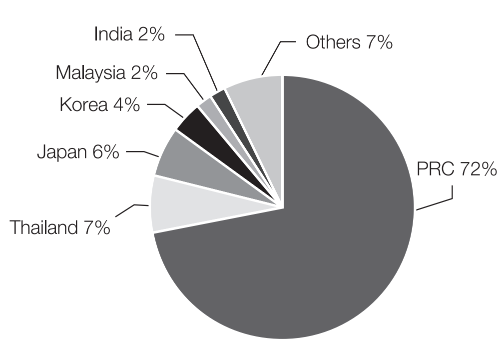
Demands for residential air-conditioners in key regions by refrigeration year

(unit million)	**2004**	**2005**	**2006**	**2007**	**2008**
Asia	42.2	43.4	41.7	47.7	50.2
YoY %		*2.8%*	*-3.9%*	*14.4%*	*5.2%*
North America	10.2	11.1	11.8	12.3	10.2
YoY %		*8.8%*	*6.3%*	*4.2%*	*-17.1%*
Europe	8.9	10.3	9.8	10.5	10.5
YoY %		*15.7%*	*-4.6%*	*7.1%*	*0%*
Latin America	5.4	6.2	7.0	7.4	8.4
YoY %		*14.8%*	*12.9%*	*5.7%*	*13.5%*
Middle East	2.6	2.7	2.8	3.0	3.2
YoY %		*3.8%*	*3.7%*	*7.1%*	*6.7%*
Africa	0.9	1.0	1.1	1.2	1.3
YoY %		*11.1%*	*10.0%*	*9.1%*	*8.3%*
Oceania	0.8	0.8	0.9	0.9	0.9
YoY %		*0%*	*12.5%*	*0%*	*0%*

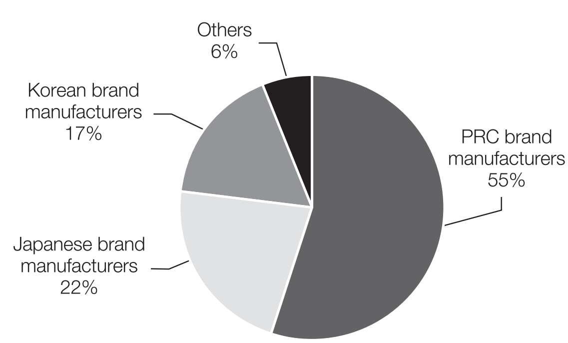
Source: The Annual Research Report (for 2008 Refrigeration Year) on Global Residential Air-Conditioner Industry, ChinaIOL

In terms of global air-conditioner production, China is the world largest air-conditioner manufacturing base accounts for approximately 72% of the total production. In terms of production by manufacturers in different countries, Chinese manufacturers account for the largest market share with approximately 55% in 2008 refrigeration year, followed by Japan (22%) and Korea (17%) according to the China research firm ChinaIOL. The charts below set forth the residential air-conditioner production by countries and manufacturers in 2008 refrigeration year.

Residential air-conditioner production by countries



Residential air-conditioner production by manufacturers



Source: The Annual Research Report (for 2008 Refrigeration Year) on Global Residential Air-Conditioner Industry, ChinaIOL

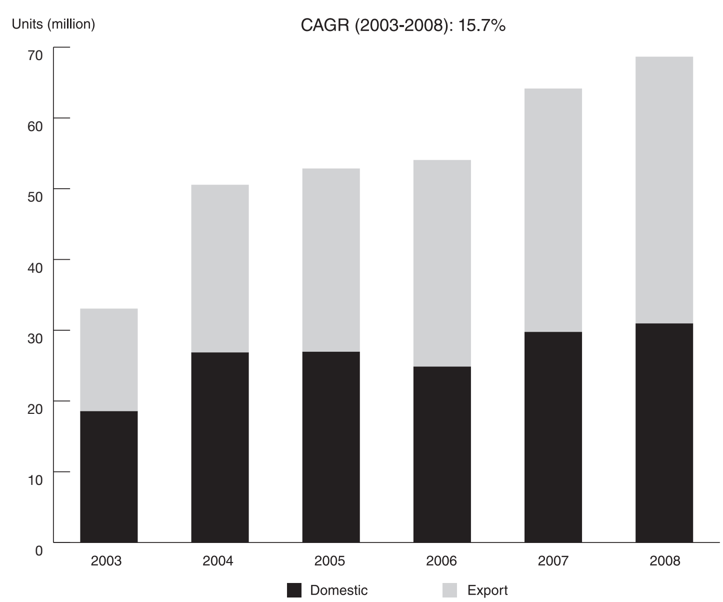
OVERVIEW OF THE PRC RESIDENTIAL AIR-CONDITIONER INDUSTRY

Over the past decade, China has been one of the world's fastest growing economies and has emerged as the largest residential air-conditioner manufacturing base in the world. The growth in air-conditioner demand in China has primarily been driven by the economic growth from the increase in consumer spending and export sales from China to overseas countries.

For the refrigeration year between 2003 and 2008, the sales volume of air-conditioners in China registered a CAGR of 15.7%, reaching approximately 68.6 million units in 2008 refrigeration year according to ChinaIOL. In 2008 refrigeration year, the total market (including domestic and export) recorded a sales volume increase of approximately 7.0%. The domestic market and export market increased 3.9% and 9.7%, respectively, in 2008 refrigeration year.

The chart below sets forth the air conditioner sales volume trend in the PRC for the refrigeration year between 2003 and 2008 based on ChinaIOL:

Residential air conditioner sales volume trend in the PRC [(1)]



Note:

(1) The above sales volume trend is based on sales delivery units from manufacturers provided by ChinaIOL, which does not directly represent the actual retail sales units to end customers

Source: The Annual Research Report (for 2008 Refrigeration Year) on the PRC Residential Air-conditioner Industry, ChinaIOL

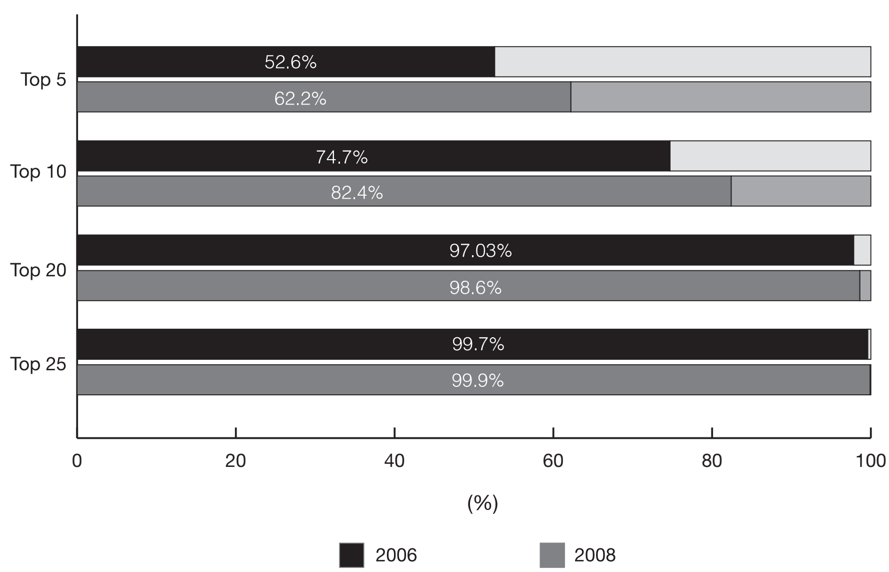
CHARACTERISTICS OF THE PRC AIR-CONDITIONER MARKET

Market consolidation giving rise to top 5 market leaders concentration

The PRC air-conditioner market was highly fragmented with intense competition. However, the industry has gone through a consolidation process. Over the years, fluctuation in raw material costs, stricter technical requirements and specifications, and years of price wars have eliminated many uncompetitive players. According to the PRC State Information Center, the number of brands in the PRC market has significantly decreased from 96 in 2004 to 34 in 2008 refrigeration year, in which there were 16 brands accounted for less than 1% market share individually.

Within the top 25 brands, the market share is highly concentrated among market leaders. In 2008 refrigeration year, the top 5 and top 10 brands accounted for approximately 62.2% and 82.4%, respectively. According to the statistics from the State Information Centre, the top 5 PRC air conditioner brands are Gree, Midea, Haier, Chigo and Hisense and the market leaders continued to increase their market share. The top 5 and top 10 brands increased their market shares by 9.6% and 7.7%, respectively, compared with 2006. It is estimated that the market will continue to consolidate giving rise to the top market leaders. The chart below sets forth the market share of the PRC air conditioner brands:

Market share of the PRC air conditioner brands in 2006 and 2008 refrigeration year[(1)]



Note:

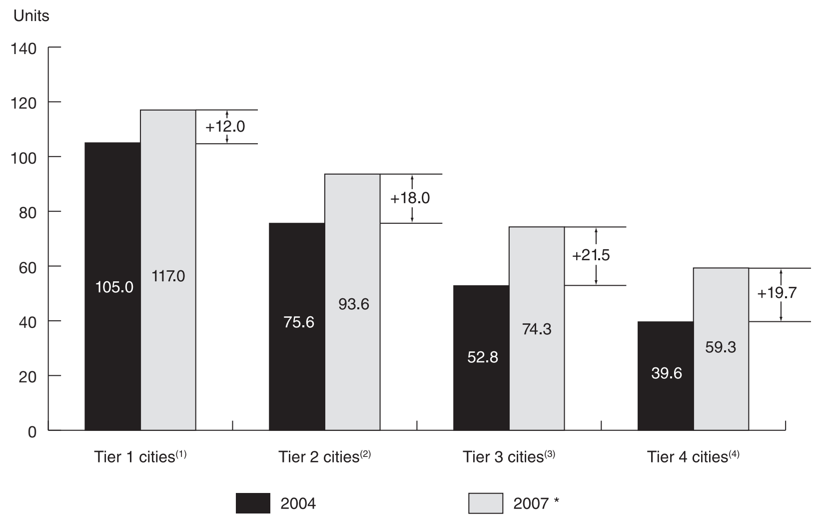
(1) Refrigeration year refers to the period between September of the previous year to August of the stated year.

Source: 2007 and 2008 Refrigeration Years Air-conditioning Market Information Reports, State Information Center (Information Resources Development Department)

Growing markets in domestic Tier 2, 3 and 4 cities

In the early 2000s, the PRC air-conditioner market was in a period of rapid growth, driven by strong demand from the Tier 1 market. Notwithstanding that the demand from the Tier 1 market has gradually slowed down as that market was increasingly penetrated, the Tier 2, 3 and 4 markets offer growth opportunities to air-conditioner manufacturers. Such growth potential is a reflection of the increasing income level and the relatively lower air conditioner penetration rate in these markets, as illustrated in the chart below. According to the PRC State Information Center, these markets are in general offering better opportunities and have become increasingly attractive to the air-conditioner manufacturers.

PRC Domestic air-conditioner ownership (per 100 households)



* Estimate(5)

Source: Air-conditioning Industry Market Analysis Report (2007), State Information Center (Information Resources Development Department)

Notes:

(1) Tier 1 cities include Beijing, Changchun, Changsha, Chengdu, Guangzhou, Fuzhou, Harbin, Shenyang, Hangzhou, Huhhot, Kunming, Nanjing, Shanghai, Guiyang, Taiyuan, Tianjin, Wuhan, Xi'an, Zhanzhou, Chongqing, Ji'nan, Yingchuen, Shijiajuang, Urumqi, Nanchang, Haikuo, Lanzhou, Xining, Hefei and Nanning.

(2) Tier 2 cities include Anshan, Bengbu, Baotou, Changzhou, Baoji, Cangzhou, Chenzhou, Dali, Dalian, Daqing, Datong, Baoding, Dongguan, Foshan, Guilin, Hengyang, Kaifeng, Huizhou, Jiaxing, Jiangmen, Taian, Lianyungang, Maanshan, Langfang, Ningbo, Qiqihar, Mudanjiang, Quanzhou, Shaoxing, Suzhou, Tangshan, Wuxi, Xinxiang, Yanan, Yangzhou, Xuzhou, Yantai, Yibin, Yuxi, Zhenjiang, Zhanjiang, Zhongshan, Zhuhai, Zibo, Zigong, Zunyi, Zhangzhou, Fushun, Taizhou, Weihai, Weifang, Wenzhou, Yulin, Shantou, Jilin, Qingdao, Xiamen, Jiujiang, Shenzhen, Nantong, Panzhihua, Pingdingshan, Qinhuangdao, Wuhu and Luoyang.

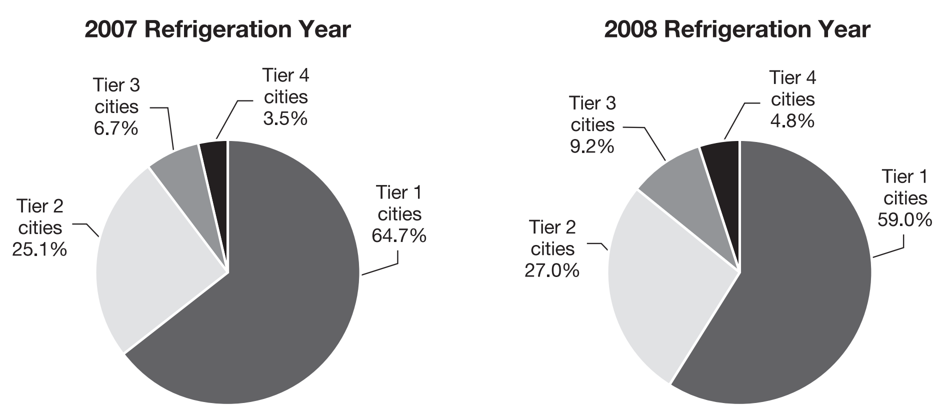
(3) Tier 3 cities include Acheng, Anyang, Anqing, Bazhong, Beihai, Benxi, Changji, Changde, Changshu, Chaoyang, Chengde, Chifeng, Chuxiong, Cixi, Dazhou, Dandong, Danyang, Danshui, Deyang, Dezhou, Dongying, Ermei, Fuan, Fuding, Fuqing, Ganzhou, Guigang, Ezhou, Funing, Fuyang, Fuxin, Ganyu, Guang'an, Hengshui, Handan, Heze, Hami, Haicheng, Haimen, Hanzhong, Hechuan, Heshan, Huzhou, Huludao, Huangshan, Huainan, Jingcheng, Ji'ning, Jiamusi, Jiangdu, Jian'ou, Jimo, Huangshi, Jiangying, Jiaozuo, Jinhua, Jinzhou, Jingmen, Liyang, Huai'an, Liaocheng, Liuzhou, Liuan, Liupanshui, Longyan, Luzhou, Luohe, Maoming, Meizhou, Mianyang, Neijiang, Nanchong, Nanping, Nanyang, Ningde, Panjing, Putian, Puyang, Qidong, Qinzhou, Qionglai, Qingyuan, Qujing, Rizhao, Sanming, Sanya, Sanmenxia, Shangqiu, Shaoguan, Shihezi, Siping, Shishi, Suqian, Suihua, Suining, Taizhou, Taixing, Tieling, Tongliao, Tongling, Tongzhou, Weinan, Wujiang, Xiantao, Xianyang, Xiangfan, Xiaoshan, Xiaogan, Xinzhou, Xingtai, Xiangtan, Yanji, Yangzhong, Yangjiang, Yichun, Yili, Yizheng, Yong'an, Yongkang, Yuyao, Yueyang, Zhaoqing, Yuncheng, Zhangjiagang, Yingkou and Yichang.

(4) Tier 4 cities include Anning, Anqiu, Bayannur, Baoying, Beining, Bobai, Boxing, Buji, Changli, Changxing, Chaohu, Cenghai, Chongzhou, Chuzhou (滁州), Chuzhou (楚州), Dafeng, Dingxi, Dingxing, Donghai, Dongning, Dongtai, Fengxian, Fucheng, Guangyuan, Nanhai, Xingtang, Nancheng, Hanjiang, Heihe, Hutang, Huaxian, Huaibei, Huangpi, Huangnan, Huidong, Jiyuan, Jianhu, Jiangning, Jinzhou, Junxian, Jinghai, Jurong, Laiwu, Laiyang, Lanxi, Lezhi, Liaoyang, Lin'an, Linsou, Longchuan, Longhua, Lufeng, Lushun, Mengcheng, Mengzi, Mianxian, Ning'an, Ningming, Pangdong, Pingguo, Pingyi, Rudong, Rugao, Runan, Shangcheng, Shangdu, Shangzhi, Shuyang, Shimian, Shizuishan, Shucheng, Shunping, Sihong, Siyang, Susong, Suizhou, Taicang, Tianshui, Tongcheng, Tonghua, Weishan, Wuan, Xianghe, Xiangyang, Xinle, Xugou, Yancheng, Yixing, Yiwu, Yutian, Zhenhai, Zhaoyuan, Zhaoyuan, Zhoukou, Zhoushan, Zhuji, Zhuanghe, Zixing, Zuzhou, Peixian, Gaozhou, Gaochun, Gaoyou, Gejiu, Gongyi, Haian, Haining, Nankai, Luannan, Luoyuan, Xiping, Xinye, Xinghua and Xinmi.

(5) Actual figures for year 2007 and year 2008 were not available as at the Latest Practicable Date.

As a percentage of sales volume, the Tier 1 market accounted for the majority of the total domestic sales volume while the Tier 2, 3 and 4 markets have continued to increase their share. The charts below set out the PRC domestic air conditioner market sales breakdown among different markets:

PRC domestic air-conditioner market sales breakdown in Tier 1, 2, 3 and 4 markets (%)



Source: 2008 Refrigeration Year Air-Conditioning Market Information Report, State Information Center (Information Resources Development Department)

Rising demand for higher quality products with a stabilised upward price trend

After years of price wars resulting from intense competition in the domestic market, prices have shown signs of stabilisation, with an increase in average selling price per unit of approximately 8.1% in the 2008 refrigeration year, according to the PRC State Information Center. With the increasing demand for higher end products and rising raw material costs, it is noted that the market share of the products with selling prices above RMB2,000 was increasing.

The table below sets out the percentage of sales volume for different price range categories in the 2006 and 2007 refrigeration years.

RMB	2006*	2007*	Market share increase
<1,500	10.3%	3.6%	-6.7%
1,501–2,000	26.2%	16.4%	-9.8%
2,001–2,500	23.8%	30.6%	+6.8%
2,501–3,000	13.1%	18.8%	+5.7%
3,001–4,000	12.5%	12.9%	+0.4%
4,001–5,000	5.7%	7.3%	+1.6%
>5,000	8.4%	10.4%	+2.0%

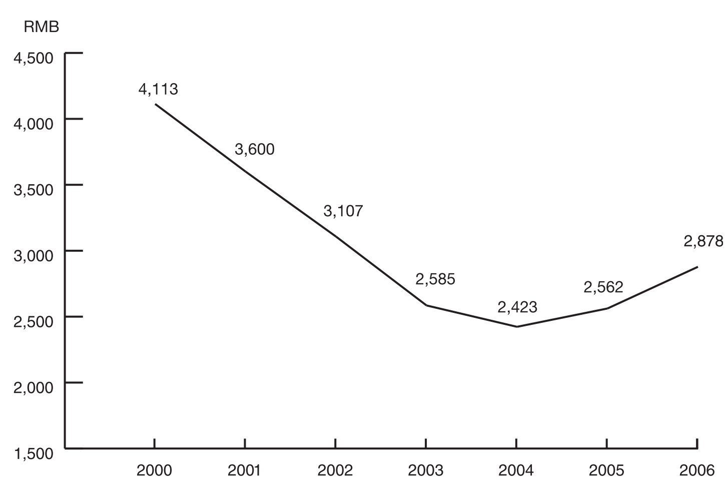
* Refrigeration year defined by the State Information Center refers to the period between September of the previous year to August of the stated year.

Source: 2007 Refrigeration Year Air-conditioning Market Information Report, State Information Center (Information Resources Development Department)

The average selling price in the PRC domestic air-conditioner market showed notable fluctuations between 2000 and 2006. The average selling price decreased 41.1% from 2000 to 2004 due to the intensive competition that arose from the increase in the number of manufacturers in the market. However, after periods of price war and with the beginning of the market consolidation, the average selling price started to pick up since 2004 and the average selling price increased from RMB2,423 in 2004 to RMB2,878 in 2006 (based on the Air-conditioning Industry Market Analysis Report (2007) from the State Information Center (Information Resources Development Department), which was due to the increasing demand for higher end products and rising costs of raw materials.

The chart below sets out the average selling prices per unit in the PRC domestic air-conditioner market:

Average selling prices per unit in the PRC domestic air-conditioner market



Source: Air-conditioning Industry Market Analysis Report (2007), State Information Center (Information Resources Development Department)[1]

Note:

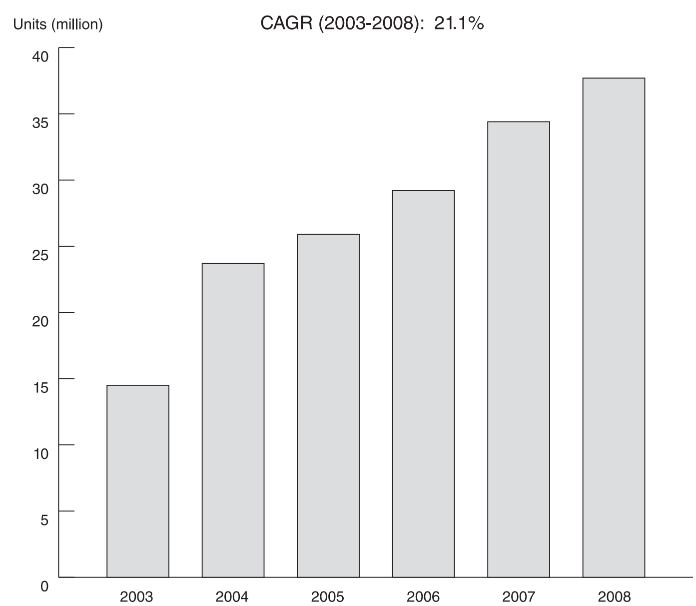
(1) Actual figures for year 2007 and year 2008 were not available as at the Latest Practicable Date.

Increasing demand in export market

Export sales have been reinforced by China's role as a global manufacturer of air-conditioners. With relatively low labour costs and established production facilities, China has emerged as the largest air-conditioner manufacturing site in the world, representing a majority of the world's total production. From 2003 to 2008 refrigeration year, China's total export volume of household air-conditioners registered a CAGR of 21.1%.

The following chart shows the sales volume trend of PRC air-conditioner exports from 2003 to 2008:

Residential air conditioner export sales volume trend in the PRC (1)



Note:

(1) The above sales volume trend is based on sales delivery units from manufacturers provided by ChinaIOL, which does not directly represent the actual retail sales units to end customers

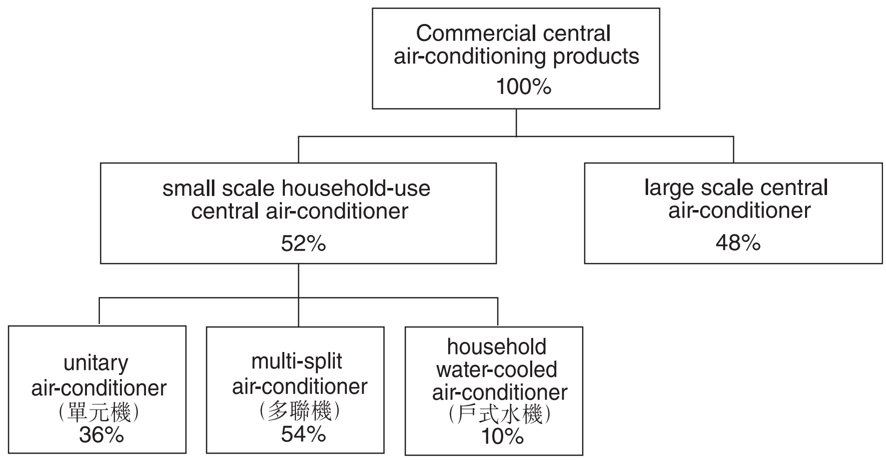
Source: The Annual Research Report (for 2008 Refrigeration Year) on the PRC Residential Air-conditioner Industry, ChinaIOL

The export market has been an important sales channel for the PRC air-conditioner manufacturers. The proportion of units sold in export sales has been increasing and reached approximately 55% in 2008 refrigeration year compared to 43.9% in 2003 refrigeration year. Among all regions to which the PRC air-conditioner manufacturers export, North America, Europe and Asia are among the largest markets accounting for approximately 25.6%, 23.8% and 19.5%, respectively, in 2008 refrigeration year. In terms of growth, emerging markets such as Africa and the Middle East have been increasing important and become strong potential markets for air-conditioner manufacturers to achieve sales growth.

OVERVIEW OF THE PRC COMMERCIAL AIR-CONDITIONER INDUSTRY

Commercial air-conditioning products can be categorised into large scale central air-conditioner and small scale household-use central air-conditioner with details illustrated in the following:

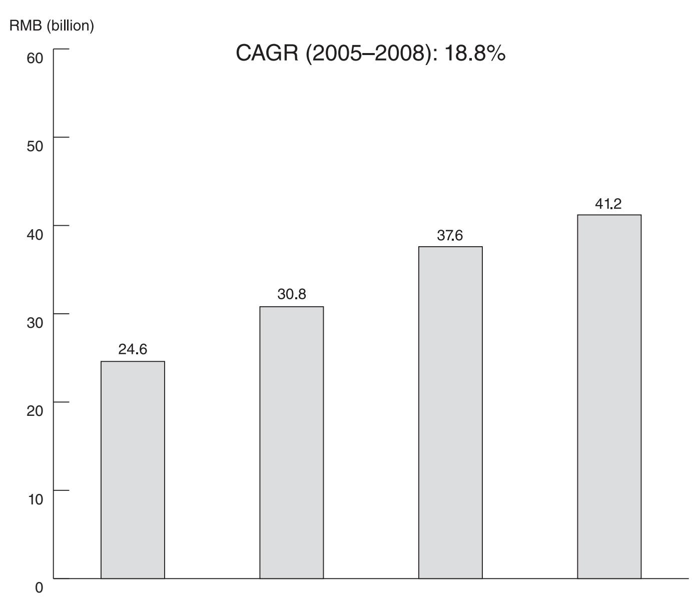
Types of commercial air-conditioning products



Source: China Central Air-conditioner Industry Report, ChinaIOL

As the residential air-conditioner market is relatively developed, the commercial air-conditioning market has become an increasingly important market for the PRC air-conditioner manufacturers. The commercial air-conditioning market has entered into a good development stage in China, achieving an increase of installations in large shopping malls, stadiums and high-end villa type residential buildings. The CAGR between 2005 and 2008 was approximately 18.8% and although the growth in 2008 has slowed to approximately 9.6% mainly due to the economic downturn, it is generally believed that the commercial air conditioning product market will continue to grow given the large potential market.

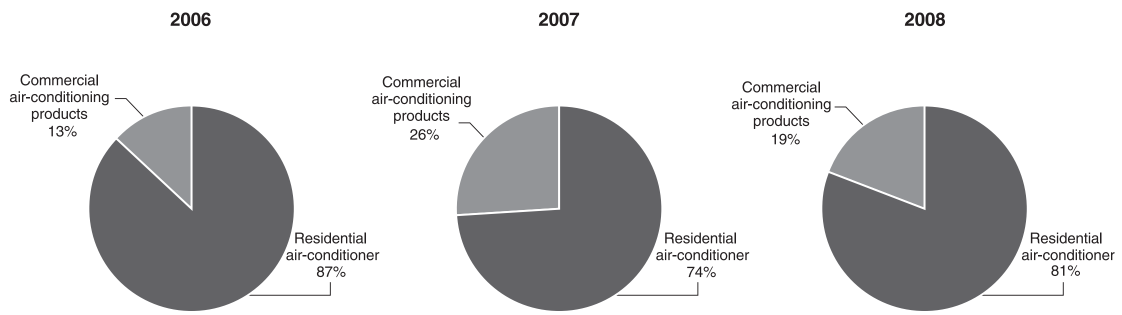
Market size of the PRC commercial air-conditioning products



Source: China Central Air-conditioner Industry Report, ChinaIOL

While the overall PRC air conditioner market is still mainly dominated by residential air conditioners, share of commercial air conditioning products sales have been progressively growing as illustrated in the below charts. The share in 2008 has decreased mainly due to the global economic downturn which export sales have been adversely affected.

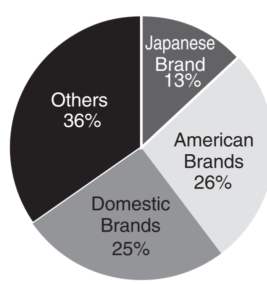
Market share between central air-conditioner and residential air-conditioner



Source: China Central Air-conditioner Industry Report[1], ChinaIOL

In respect of the competitive environment, the market was originally dominated by American and Japanese brands. However, with the increasing competence and development in technology and production know-how of the Chinese players, the Chinese brands have narrowed the gap and achieved a market share of approximately 25% of the PRC commercial air-conditioning products in China in 2008.

Market share of the PRC commercial air-conditioning products in 2008



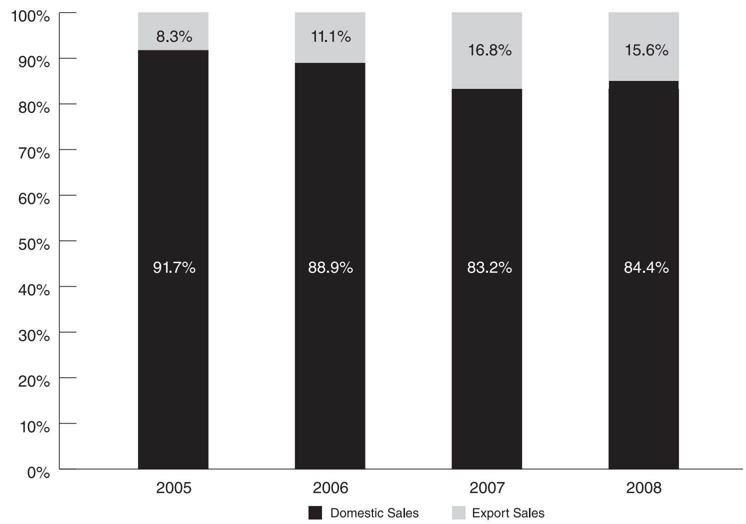
Source: China Central Air-conditioner Industry Report[1], ChinaIOL

Note:

(1) The China Central Air-conditioner Industry Report was not commissioned by the Company.

As for market distribution, the PRC commercial air-conditioning products industry still mainly focus in the domestic market. However, benefited from the low cost advantage and increasing competence in technology of the PRC air-conditioning manufacturers, the proportion of commercial air-conditioning products export sales have increased from approximately 8.3% in 2005 to 15.6% in 2008.

Market distribution of commercial air-conditioning products industry



Source: China Central Air-conditioner Industry Report, ChinaIOL

GROWTH FACTORS OF THE PRC AIR-CONDITIONER INDUSTRY

The Directors believe that the following are the key growth factors for the PRC air-conditioner industry.

Domestic market:

- The PRC economy is enjoying a rapid growth in the consumption of air-conditioners in both cities and rural areas and the difference in consumers' disposable income between the two is narrowing;

- The increase in technical standards and the heightened awareness of energy-saving and environmental protection combined with the increasing consumer disposable income have accelerated the replacement cycle of air-conditioners in the relatively saturated Tier 1 market;

- The improving competitive landscape for lower-cost Chinese manufacturers, including many of the PRC industry leaders, has narrowed the technology gap for more high-end products such as commercial air-conditioning products; and

- There was a general trend of air-conditioner manufacturers increasing their focus on sales and marketing in Tier 3 and Tier 4 markets in 2007. Along with the State policy of "having household electrical appliances reaching the rural areas", consumption in household electrical appliances in rural areas is expected to grow even faster.

Overseas market:

- The steady growth in general air-conditioner demand and the gradually increase in the global temperatures provide export opportunities for the PRC's air-conditioner manufacturers;

- The improving competitive landscape for lower-cost PRC manufacturers has narrowed the technology gap for more high-end products such as commercial air-conditioning products;

- More efforts to explore and expand the overseas markets are being made by major air-conditioner manufacturers in China. In particular, in the past few years there have been significant achievements in the market penetration of certain emerging regions such as the Middle East, India and Russia, making these markets more attractive for air-conditioners manufacturers.