

## ***Industry Overview***

In the first half of the year 2001, the competition of the electronic appliance market in the People's Republic of China ("PRC") remained fierce.

For the air-conditioner market, the currently low possession rate, the product nature of "multi-unit per household", coupled with the improved housing policies, all suggested a room for market potential. The favourable profit attracts many brown electronic appliance manufacturers to the market, which upsets the market equilibrium and gives rise to a severe price war. In addition, the lowered temperature in the Southern provinces due to the heavy rainfall in June and July, which were the peak season of the industry, also adversely affects the overall performance of the domestic market in the PRC.

Whereas for the refrigerator market, demand in urban cities tends to saturate while the suburban markets are still waiting for further expansion. Together with the current restructuring of consumption pattern in the PRC, the refrigerator market is experiencing a downward price pressure and remains sluggish.

On the other hand, China's imminent accession to the World Trade Organization ("WTO") opens tremendous opportunities for the export of electronic appliances around the world. As global investment on household electronic appliances and the production base now tends to shift towards developing countries, the PRC will soon become the largest electronic appliance manufacturer in the world. This would further nurture the overall development for the industry.