

Air-conditioner Business Analysis

For the period under review, the sales volume of air-conditioner was 287,000 units, increased by 13.3%, turnover decreased by 8.8% in comparison with the corresponding period last year, reaching HK\$661,773,000.

Overseas Export Market

During the period, the Group's export on air-conditioner reached 97,000 units and turnover was HK\$124,356,000, representing an increase of 165.1% and 77.1% respectively as compared with the corresponding period of last year. The export markets mainly include Europe and North America. Despite the satisfactory growth, the increase was mainly due to the increment of sales volume in window type air-conditioners which were of lower value, making its contribution towards the overall sales insignificant. Yet the export growth did reflect the Group's endeavor in exploring overseas markets in the past two years. With the continuous effort of the export marketing and product research departments, the Group could avoid keen competition and lessen the risk of the single business in the domestic market. Therefore, a wider income source in the near future would be expected. During the period under review, the Group's North American market was experiencing an infant stage. It would progress to the mature stage and thus an export market with a promising growth is expected in the coming year. As at 31 August 2001, the Group's contract on hand of air-conditioner export reached 140,000 units.

The PRC Market

In view of the "HUALING" air-conditioners, the Group's performance fell slightly below expectation, with sales volume of approximately 148,000 units decreased by 3.3%. Turnover dropped 14.4%, reaching approximately HK\$435,791,000. During the period, the Group further strengthened its product structure. Besides window-type, split-type and cabinet type air-conditioners, there were deluxe type, household type and general type. In spite of the favorable response received from other provinces, the overall performance of "HUALING" air-conditioners was still unsatisfactory. This was mainly due to the intercalary month in April, which postponed the peak season, and the adverse effect brought about by the heavy rainfall in Southern areas. The lowered average selling price reasonably explained the Group's stagnant turnover. The Group introduced 12 types of new products during the period, so as to increase the competitiveness of the products.

OEM Market in the PRC

During the period under review, the Group's sales volume in OEM business reached approximately 42,000 units, decreased by 33.9%. While turnover amounted to approximately HK\$101,626,000 and decreased by 30.3% as compared with the corresponding period last year. Since the Group's major customers – brown electronic appliance manufacturers in PRC have set up factories for production, the demand for OEM of the Group has dropped.