

## ***Overall Profitability Analysis***

### **Cost Control**

During the period under review, the Group implemented the cost control in areas from procurement, manufacture, sales, to research and development, so as to reduce the production cost by 4% as compared with the corresponding period last year.

### **Depreciation for Production Facilities**

Due to the increase in productivity of the air-conditioner and refrigerator factories, the depreciation increased by 4.6% as compared with the corresponding period last year.

### **Product Structure**

During the period under review, the decrease in turnover of the air-conditioner business constituted another reason for the overall downturn of the Group's performance. Increase in export volume, decrease in OEM business in the PRC, and the growth in the sales of general type products in the PRC explained why the growth in the product sales had an insignificant effect on the overall business performance.

### **Price**

During the period under review, the price competition of household appliances became more vigorous. To enhance competitiveness, the Group lowered the selling price of some of its products correspondingly. Looking ahead, with the higher customers' expectation in the PRC regarding the function, efficiency and quality level of products, the Group would face the price competition by strengthening the cost control and raising the product quality.