

To: Business Editor [For immediate release]

HAIER ELECTRONICS GROUP CO., LTD (STOCK CODE: 1169)

ANNOUNCES ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

ASSET INJECTION CONTRIBUTES TO POSITIVE GROWTH

BRIGHT PROSPECT AS MAJOR WHITE GOODS PLAYER

<u>Financial Highlights</u>	For the year ended 31 December (HK\$'000)		
	2006	2005 (restated)	Change
Turnover*	6,901,705	5,541,136	+ 24.6%
Gross profit* (Gross profit margin)	1,839,505 (26.7%)	1,256,054 (22.7%)	+ 46.5%
Profit/(loss) attributable to shareholders#	262,349	(363,751)	N/A

*From continuing operations

Including gain on disposal of mobile handset business

(Hong Kong, 23 April, 2007) – Haier Electronics Group Co., Ltd. (Stock Code: 1169) (the “Company”), together with its subsidiaries (collectively the “Group”), listed on the Main Board of The Hong Kong Stock Exchange, today announced its combined annual results for the year ended 31 December 2006 (the “Year”).

Turnover from continuing operations of the Group, i.e. the washing machine business and water heater business, for the Year amounted to HK\$6,902 million, representing an increase of approximately 24.6% from HK\$5,541 million in the same period last year. Gross profit margin improved from 22.7% during the year ended 31 December 2005 to 26.7% during the Year. EBITDA and operating profit increased by 11.7% and 16.4% respectively in the Year, reaching HK\$298 million and HK\$218 million, respectively. Profit from continuing operations (i.e. the washing machine and water heater businesses) amounted to HK\$ 184 million in 2006, representing a 21.2% increase from the previous year. Taking further into account the net profit from the discontinued mobile handset operation of HK\$103 million which mainly arose from the gain on disposal of this business, profit attributable to shareholders amounted to HK\$262 million in the Year, against a loss of HK\$364 million in the corresponding period last year (the loss in last year was mainly due to the loss from the discontinued mobile handset operation of HK\$479 million).

Business review & growth momentums

Significant steps have been taken in the Year in transforming the Group into a major white goods player. Apart from completing the disposal of the mobile handset business to its parent company, the Haier Group, in June 2006, the Company has also acquired the front loading washing machine and water heater businesses, which are the leading players in their respective markets in the PRC, for a consideration of HK\$900 million from the Haier Group in December 2006 (the “Asset Injection”), thereby exiting from non-white goods business and concentrating on broadening the revenue base of the sale of white goods.

Continuing Operation - Washing Machine Business

During the Year, the manufacture and sale of top loading and front loading washing machines, together accounted for approximately 81.9 % of total revenue for the Year (2005: 80.8%). The Group continues to strengthen its dominant market position in the PRC with strong revenue growth of 26.2 % from HK\$4,478 million for the year ended 31 December 2005 to HK\$5,651 million in the Year. Gross profit margin improved from 21.9% in 2005 to 25.9% in the Year due to the Group’s launch of innovative high value added products, stabilization of raw material costs after a period of rapid cost

increase in 2004 and 2005, improvement in operational efficiency and the ability of the Group to regain the pricing power in the market. As a result, operating profit grew substantially by 29.7 % from HK\$170 million for the year ended 31 December 2005 to HK\$221 million in the Year. The growth of this business in both volume and profitability was made possible by the Group's well-received marketing programs and successful product positioning whilst focusing effort on technology innovation. The Group's environmentally friendly dual-drive detergent-free washing machines in particular achieved remarkable results.

To cater for the rapid growth in sales, a new factory with annual production capacity of approximately 1 million units has been constructed in Chongqing, the PRC and has commenced production in the first quarter of 2007, boosting the Group's total annual production capacity to approximately 8 million units.

Continuing Operation – Water Heater Business

The water heater business, which accounted for approximately 18.1% of Group revenue in the Year (2005: 19.2%), also performed well during the year. Revenue grew by approximately 17.6 %, reaching HK\$1,251 million in the Year. Gross profit margin improved from 25.9% for the year ended 31 December 2005 to 29.9% in the Year. As a result, operating profit grew strongly by 25.1 % to HK\$44 million in the Year from HK\$35 million in the corresponding period last year.

Discontinued Operation - Mobile Handset Business

During the Year, the Group disposed of the mobile handset business to its parent company, the Haier Group, for a total consideration of approximately HK\$420 million in June 2006. This business, being classified as discontinued operation in the financial statements, contributed HK\$103 million in net profit to the Group for the Year (representing a gain on the disposal less loss of this business up to the date of disposal). The disposal enabled the Group to focus on improving its core competencies in the white goods businesses and to better direct resources to such businesses.

Future Prospects

The Group will continue to enhance the competitiveness of its washing machine business by further strengthening its R&D capabilities on developing more differentiated products which carry value added features to improve the margin, and environmentally conscious products which the Group believes is the global trend for all consumer products. Sale of front loading washing machines is also an area with significant growth potential. The Group will target this type of washing machine at the higher end of the market with higher average selling price. With increasing urbanization, rising income and improving living standards among the PRC citizens, the management is seeing significant growth potential for our front loading washing machines. The Group will also expand its export markets to generate initially volume growth, and over the longer horizon improved profitability. It is believed that the washing machine business will continue to perform satisfactorily in the coming year.

As for the Group's water heater business, it is expected that the market potential of solar water heaters (the sales of which are still currently not significant) will be tremendous for its environmentally friendly, safety and energy efficient features. With the Group's extensive experience and expertise in water heater market, the Group is poised to take advantage of the growth opportunities of this market segment in the years ahead.

With the continuous support of the Haier Group and capitalising on its branding power, the Group will strive to enhance the performance of its existing businesses. In addition, since the completion of the Asset Injection, the Group has made very effort to ensure a smooth integration of all its businesses in order to maximize operational efficiency and achieve organic growth. The management is confident that the Group's businesses will fully realize synergies in the near future, thereby strengthening its leading position in the market place.

Looking forward, in order to create value to the shareholders and accomplish the globalisation strategy of the Haier Group, the Group is also actively exploring new growth opportunities in overseas markets so as to globalise its business platform and open up another area of growth. In

addition, the Group will continue to explore further asset injection opportunities from the Haier Group to broaden the scope of its white goods businesses and will inform the shareholders if and when such opportunities materialize.

About Haier Electronics Group Co., Ltd.

Haier Electronics Group Co., Ltd. (Stock code: 1169), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, is a subsidiary of Haier Group. The Company is principally engaged in the research, development, production and sale of washing machines and water heaters under the brand name of "Haier".

About Haier Group

Haier Group was incorporated in 1984, and is principally engaged in the production of various household electrical appliances. Over the past 20 years, the company has witnessed significant prosperity and is today one of the world's leading white goods home appliance manufacturers which manufactures a wide range of household electrical appliances and exports products to more than 100 countries.

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