

To: Business Editor [For immediate release]

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

**ANNOUNCES ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007**  
**TURNOVER UP 23.9% TO HK\$8,549,239,000**  
**NET PROFIT FROM CONTINUING OPERATIONS UP 22.8% TO HK\$225,697,000**

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**STRONG MARKET LEADERSHIP DRIVES REVENUE AND MARGIN GROWTH**  
**HIGH VALUE-ADDED PRODUCTS TO FUEL FUTURE PROFITABILITY**

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<u>Financial Highlights</u>	For the year ended 31 December (HK\$'000)		
	2007	2006	Changes (%)
<i>From continuing operations:</i>			
<b>Revenue</b>	8,549,239	6,901,705	+23.9%
<b>Earnings before interest, tax, depreciation and amortization (“EBITDA”)</b>	418,643	297,592	+40.7%
<b>Operating profit</b>	335,903	217,979	+54.1%
<b>Net profit from continuing operations</b>	225,697	183,786	+22.8%
<b>Net profit attributable to equity holders</b>	172,131	158,929	+8.3%

(Hong Kong, 24 April, 2008) - **Haier Electronics Group Co., Ltd. (Stock Code: 1169)** (the “Company”), listed on the Main Board of the Hong Kong Stock Exchange, today announced the annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2007 (the “Year”).

During the Year, turnover from the Group’s washing machine business and water heater business amounted to approximately HK\$8,549 million, representing an increase of approximately 23.9% from HK\$6,902 million in the same period last year. EBITDA margin improved from 4.3% in 2006 to 4.9% during the Year, while operating margin also improved from 3.2% in 2006 to 3.9% during the Year. The improving margins were as a result of the strong R&D capabilities of the Group to launch new and high valued-added products. Excluding the net profit from the discontinued mobile handset operation of HK\$103 million (which mainly arose from the gain on disposal of this business) in 2006, net profit from continuing operations and net profit attributable to equity holders increased by approximately 22.8% and 8.3%, respectively, as compared to the corresponding period in 2006, reaching approximately HK\$226 million and HK\$172 million respectively in 2007.

**Business review & growth momentums**

<u>Turnover – Business Segments</u>	For the year ended 31 December (HK\$' 000)		
	2007	2006	Changes (%)
<b>Washing Machine Business</b>	6,926,500	5,650,895	+22.6%
<b>Water Heater Business</b>	1,622,739	1,250,810	+29.7%

The Group continued to build up its core strengths in 2007. The completion of the acquisition of the front loading washing machine and water heater businesses from the Company’s controlling shareholders, the Haier Group, in December 2006 significantly broadened the Group’s revenue and earnings basis in 2007. The Group continued to maintain its leading positions in the washing machine and water heater markets in the PRC, with respective market shares of approximately 31.9% and 20.4% for the Year according to China Market Monitor. In addition, the booming PRC economy

results in significant growth in consumer spending. Coupled with the measures taken by the Group to rationalize its cost structure and fine-tune its business model to enhance operational efficiency, the Group is able to achieve satisfactory results in 2007.

#### *Washing Machine Business*

The Group's washing machine business comprises the manufacture and sale of top loading and front loading washing machines, which together accounted for approximately 81% of total revenue for 2007 (2006: 81.9%). During the Year, the Group continued to strengthen its dominant market position in the PRC resulting in a strong revenue growth of 22.6% from HK\$5,651 million in 2006 to HK\$6,927 million in 2007. Operating profit grew by 22.9% from HK\$221 million in 2006 to HK\$272 million in 2007 and operating margin remained stable at 3.9% in 2007. The growth in both volume and profitability was mainly attributable to the Group's well-received marketing programs and successful product positioning. In addition, the sophisticated design and technology were reaffirmed during the Year by winning awards such as the red dot product design award in Germany, which is an internationally recognized quality label for excellence in design.

The front loading washing machine business is in particular an area with significant growth potential. The sales of the front loading washing machine 2007 reached HK\$1,689 million, representing an increase of 34.3% and accounted for 24.4% of the total washing machines' sales, up from 22.3% in 2006, while the sales of top loading washing machine increased 19.2% during the Year. The front loading washing machine is more commonly used in Europe and has higher average selling price. In the PRC, the front loading washing machines are mainly sold to high-end market and have only been introduced to market for a relatively shorter period of time. With rising income level and spending power of consumers in the PRC, we believe there is significant growth potential for these products.

In December, 2007, the Group completed acquiring the remaining 30% interest in the front loading washing machines business from the Italian partner Indesit Group. It is expected that it would enhance the Group's management control over this business, bring more effective sharing of resources and thus improving its operating efficiencies. In addition, in the past, the Group had to pay a trademark licence fee to the parent company Haier Group at a rate of 0.8% of sales of top loading washing machines. In order to facilitate further growth, the Haier Group agreed to waive such trademark licence fee, which represented approximately 17.8% of the profit from continuing operations of the Group in 2007, with effect from 1 January 2008. The waiver is expected to improve financial performance of the Group from 2008 onwards.

#### *Water Heater Business*

The Group produces three types of water heaters, namely, electrical water heaters, gas water heaters and solar power water heaters. This business segment, which accounted for approximately 19% of Group's total revenue in 2007 (2006: 18.1%), also reflected strong growth in both volume and profitability. Revenue grew by approximately 29.7%, reaching HK\$1,623 million in 2007. Operating profit increased by 95% from HK\$44.2 million in 2006 to HK\$86.4 million in 2007 and operating margin improved from 3.5% in 2006 to 5.3% in 2007.

In recognition of its technology excellence, the Group's patented PTOIO technology (防電牆技術), a safe care water heater technology, which ensures users' safety in case of electricity leakage, was included in the 2006 IEC standard proposal, and was further recognized as the national standard in the PRC with effect from July 2007.

### **Outlook**

For the washing machine business, the Group will continue to enhance its competitiveness by focusing on developing R&D capabilities so as to bring more differentiated products with value added features to the market to improve margin. The Group will also put particular emphasis on environmentally friendly products which is believed to be the global trend for all consumer products.

Electrical water heaters and gas water heaters are currently the predominant types of water heaters

sold in the PRC while the market share of solar power water heaters is still insignificant. However, there is significant market potential for solar water heater due to its environmentally friendly, safety and energy efficient features. With the Group's extensive experience and expertise and strong emphasis on R&D, it is believed that the Group would be able to take advantage of the growth opportunities in this market in the long run. Going forward, the Group will follow its "safety-based products" philosophy in the design of water heater products and continue to lead the industry in safety technologies.

Despite measures being taken by the PRC government to cool down the economy, it is expected that there will be substantial growth in consumer spending in China in 2008. The Group remains optimistic on the washing machine and water heater markets in the PRC, in particular in the 3rd and 4th tier cities and rural area in view of the growing brand consciousness of the consumers and the government's policy to improve living standard in the rural area. In addition, although sales for exports currently only accounted for approximately 10% of total revenue, Haier being a sponsor to the Beijing Olympic Games in 2008 will significantly enhance the Group's brand recognition in the overseas markets and boost up its export sales from 2008 onwards.

#### **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 Haier Group 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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