

To: Business Editor [For immediate release]

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

ANNOUNCES INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

**BRIGHT PROSPECT AS LEADER IN WASHING MACHINES AND WATER HEATERS
 CAPITALISING ON HIGH CONSUMER SPENDING GROWTH IN THE PRC
 22% GROWTH IN REVENUE AND 50% GROWTH IN RECURRING PROFIT
 (NET PROFIT FROM CONTINUING OPERATIONS)**

<u>Financial Highlights</u>	For the six months ended 30 June (HK\$'000)		
	2007 (Unaudited)	2006 (Unaudited) (Restated)	Changes (%)
<i>From continuing operations:</i>			
Revenue	3,583,914	2,932,601	+22.2%
Earnings before interest, tax, depreciation and amortization ("EBITDA")	165,548	131,144	+26.2%
Operating profit	125,157	92,056	+36.0%
Net profit before minority interests	86,303	58,873	+46.6%
Net profit after minority interests	72,465	48,318	+50.0%
Profit from discontinued operation	-	103,420	N/A
Profit attributable to equity holders of the parent	72,465	151,738	-52.2%

(Hong Kong, 24 September, 2007) – Haier Electronics Group Co., Ltd. (Stock Code: 1169) (the "Company"), listed on the Main Board of the Hong Kong Stock Exchange, today announced the interim results of the Company and its subsidiaries (collectively the "Group") for the period of six months ended 30 June 2007 (the "Period").

Turnover from the Group's washing machine business and water heater business for the Period amounted to approximately HK\$3,584 million, representing an increase of approximately 22.2% from HK\$2,933 million in the same period last year. EBITDA margin improved from 4.5% in the first half of 2006 to 4.6% in the first half of 2007 while operating margin also improved from 3.1% in first half of 2006 to 3.5% in the first half of 2007 as a result of the launch of innovative high value added products, the ability of the Group to regain pricing power in the market and improvement in operational efficiency. 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 the previous period in 2006, net profit from continuing operations before and after minority interests increased substantially by approximately 46.6% and 50.0%, respectively, as compared to the first half of 2006, reaching HK\$86.3 million and HK\$72.5 million in the first half of 2007, respectively.

Business review & growth momentums

<u>Turnover – Business Segments</u>	For the six months ended 30 June (HK\$' 000)		
	2007	2006	Changes (%)
Washing Machine Business	2,888,000	2,311,000	+25.0%
Water Heater Business	696,000	621,000	+12.1%

The Group continued to build up its core strengths during the Period. The completion of the acquisition of the front loading washing machine and water heater businesses from the Haier Group

on 31 December 2006 significantly broadened the Group's revenue and earnings basis in 2007. The Group continues to maintain leading positions in the washing machine and water heater markets in the PRC, with respective market share of approximately 31.2% and 20.6% for the Period 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, these resulted in very promising results for the Period.

Washing Machine Business

During the Period, the manufacture and sale of top loading and front loading washing machines together accounted for approximately 80.6% of total revenue for the Period (2006: 78.8%). The Group continues to strengthen its dominant market position in washing machine market in the PRC with strong revenue growth of 25.0% from HK\$2,311 million in the same period last year to HK\$2,888 million for the Period. Operating margin also improved from 3.6% in the first half of 2006 to 3.8% in the first half of 2007. As a result, operating profit grew substantially by 32.6% from HK\$82.1 million in the first half of 2006 to HK\$108.9 million in the first half of 2007. The growth of this business in both volume and profitability was made possible due largely to the Group's well-received marketing programs and successful product positioning whilst focusing effort on technology innovation, as evidenced by the success in the Group's environmentally friendly dual-drive detergent-free washing machines, which achieved strong sales growth. In addition, the Group's sophisticated design and technology were reaffirmed during the Period 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, in which the Group owns 70% interest, is in particular an area with significant growth potential, with sales of HK\$729 million during the Period, an increase of 38.8% (2006:20.9%) for top loading washing machines, and accounted for 25.2% of washing machines' sales, up from 22.7% for the same period last year. This type of washing machine is more popularly used in Europe and has higher average selling price. In the PRC, they are targeting the higher end of the 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, the Group believes there is significant growth potential for these products. As a result, subsequent to the period end on 4 September 2007, the Group entered into agreements to acquire the remaining 30% interest in this business from its Italian partner, Indesit, for a consideration of Euro 14.31 million (approximately HK\$151.7 million) which represents a historical price earnings ratio of approximately 13.8 times based on 2006 earnings. Upon completion, the business will be wholly-owned by the Group. Given the reasonable purchase consideration and the growth potential of this business, the Management believes that the acquisition will bring significant benefits to the Group in the long run.

Water Heater Business

The water heater business, which accounted for approximately 19.4% of total revenue for the Period (2006: 21.2%), also performed well. Revenue grew by approximately 12.0%, reaching HK\$696 million for the Period. Operating profit also increased by 3.1% from HK\$22.3 million in the first half of 2006 to HK\$23 million in the first half of 2007. Although revenue and profitability growth seems modest in the first half of the year, the Management believes that with more new products to be introduced in the coming months, the water heater business will provide satisfactory contribution to the Group in the second half of the year.

In recognition of its technology excellence, the Group's patented PTOI0 technology, 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

The Group's business is seasonal with traditionally winter being the peak season and summer the low season, and historically about 55-60% of revenue was generated in the second half of a financial year. For instance, in the 2006 financial year, 57.5% of revenue was generated in the second half of that year. With the continued booming Chinese economy resulting in high consumer spending growth and the seasonable nature of this business, the Management is confident that the Group will continue to perform well in the second half of 2007.

Looking forward, with acquisition of the remaining 30% interest in the front loading washing machine business expected to be completed in the fourth quarter of 2007, this will further streamline the Group's corporate structure, enable more effective management control and sharing of resources to improve operational efficiency, and would therefore provide another area of long term profitability growth to the Group.

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. The Haier brand valued at RMB74.9 billion in 2006.

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