

## **Haier Group Company**

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## **Overview**

Haier Group is China's ambassador to appliance stores worldwide. Once named Qingdao Refrigerator Plant, the company climbed from the verge of bankruptcy to establish itself as a world-renowned brand. China's largest appliance company manufactures refrigerators and freezers, air conditioners, dishwashers, microwaves, televisions, vacuums, mobile phones, computers, and more. Haier Group exports goods to more than 160 countries. Since pulling itself up by its bootstraps, Haier has been busy inking joint ventures to branch out into other markets.

Haier Group acquired mobile phone company, Haier-CCT Holdings Ltd. to snap up the remaining stake it didn't already own. The restructuring also involved the transfer of Haier Group's washing machine business to Haier-CCT.

Having already secured a foothold in the appliances market in India, Haier is inking partnerships to get into other niches. Through Haier Telecom (India) Ltd., a joint venture of Haier Group and India's Scope group, aims to become a leader in the sale of mobile phones in India.

The company has joined forces with Fujitsu Hitachi Plasma Display (joint venture between [Fujitsu](#) and [Hitachi](#)) to develop and market plasma TVs. It has also announced plans to enter the Japanese market through partnerships with [Samsung](#).

Haier Group is hoping to sell more home appliances through its joint venture with Suning Appliance Chains, a China-based home appliance retailer. The joint venture, called Haier Suning Selling Company, plans to open over 45 new Suning stores.

The company is adding pharmaceuticals to its operations. The company's Haier Medicine subsidiary plans to distribute medicine through its own brand of stores.

Haier Group announced in 2007 that it plans to spin off its computer business, called Haier Computer.

The company plans to move its sales and marketing operation to Beijing, the hub of the Chinese IT industry, in late 2007.

[Haier Electronics](#) bought the washing machine and water heater operations of Haier Group for about \$115 million.

Chairman and CEO Zhang Ruimin took the reins of the government-controlled company in 1984. His first act as CEO was to smash 76 poor-quality refrigerators with a hammer to drive home his intentions to improve product quality.

### Officers & Employees

Title	Name	Age	Salary	Bonus
Chairman and CEO	Zhang Ruimin	58		
President	Yang Mianmian	64		
President and CEO, Haier America	Michael Jemal			
Director, Corporate Culture Center	Ji Guangqiang			
Vice Chairman	Wu Kesong			

### Top Competitors

- [Electrolux](#)
- [GE Consumer & Industrial](#)
- [Whirlpool](#)

### All Competitors

- [Electrolux](#)
- [GE Consumer & Industrial](#)
- [Whirlpool](#)
- [BSH Bosch und Siemens Hausgeräte](#)
- [Electrolux Home Appliances China](#)
- [Gree Electrical Appliances](#)
- [GuangDong Midea](#)
- [Hisense](#)
- [Matsushita Electric](#)
- [Philips Electronics](#)
- [Sony](#)
- [Samsung Group](#)
- [SANYO](#)
- [Siemens AG](#)

## Company Background



### Haier Group

Haier is the world's 4th largest whitegoods manufacturer and one of China's Top 100 IT Companies. Haier has 240 subsidiary companies and 30 design centers, plants and trade companies and more than 50,000 employees throughout the world. Haier specializes in technology research, manufacture industry, trading and financial services. Haier 2006 global revenue was RMB107.5 billion.

Guided by the business philosophy of CEO Zhang Ruimin, Haier has experienced the development stages, noted as Brand Building, Diversification and Globalization. At the 21st anniversary of the founding of Haier Group on December 26, 2005, Haier announced its 4th strategic development stage of global brand building. In 1993, Haier brand was officially recognized as a famous brand. In 2006, Haier brand was valued at RMB74.9 billion. Since 2002, Haier has consecutively been ranked first in the row of China's most valuable brands for manufacture of 18 products, including refrigerators, air conditioners, washing machines, televisions, water heaters, personal computers, mobile phones and kitchen appliances. Haier was ranked first of China's Top 10 Global Brands by China State Bureau of Quality and Technical Supervision (CSBTS) for refrigerators and washing machines. On August 30, 2005, Haier was ranked 1st of China's Top 10 Global Brands by the Financial Times.

Haier has been widely recognized as a leader of 9 products in terms of domestic market shares and the 3rd player of 3 products in the world market and world-class company in the fields of home integration, network appliances, digital and large scale integrated circuits and new materials. Haier has long attached significance to innovation in satisfying the demands of worldwide consumers and realizing win-win performance between Haier and clients. Haier has currently obtained more than 7,000 patented technology certificates (1234 for Haier inventions) and 589 software intellectual property rights. Haier has hosted and taken part in modification of about 100 technological standards. Haier technology of safe care water heaters and dual drive washing machines has been proposed to the IEC Criteria.

Haier's "OEC", "Market-chain" and "Individual-goal combination" management performances have been recognized worldwide. Haier's experiences have also been introduced into case studies of business mergers, and to financial management and corporate cultures of many foreign educational institutes, including Harvard University, University of Southern California, Lausanne Management College, the European Business College and Kobe University. Haier's Market-Chain Management practice has also been recommended to the EU for Case Studies and "Individual-goal combination" management concept has been recognized by worldwide management researchers as an feasible solution of commercial over stocks and accounts overdue.

Facing the fierce global market competition, Haier launches the Global Brand Building Strategy and updates spirit "Create resources, worldwide prestige" and work style "Individual-goal combination, swift action and success" with an aim to gain global recognition and sustainable development.

### Unmatched Home Appliance Product Offerings

Haier's product categories range from refrigerators, refrigerating cabinets, air conditioners, washing machines, televisions, mobile phones, home theatre systems, computers, water heaters, DVD players and integrated furniture, among which 9 are ranked market leaders in China, and 3 are ranked among the top 3 worldwide in their respective industries. Haier is also a world leader in the technology domains of intelligent integrated home furniture, networked home appliances, digitalization and large scale integrated circuits.

By April 2006, the Haier Group has obtained 6,189 patented technology certificates and 589 software intellectual property rights. Haier's proposal for safe care water heater technology initiative was accepted at the 66th IEC Conference in 2002 and Haier dual drive washing machine technology was included in the 2006 IEC standard proposal. This clearly demonstrates Haier's world-class innovation capabilities in product R&D.

### **Global Branding Strategy**

Haier's global branding strategy aims at positioning the company as a local brand in different world markets in conjunction with enhanced product competitiveness and strong corporate operations. Haier's international business framework encompasses a global network of design, procurement, production, distribution and after-sale services. Today, Haier has established 15 industrial complexes, 30 overseas production factories and bases, 8 design centers and over 58,000 sales agents worldwide.

In China, Haier's 4 leading product categories - refrigerators, refrigerating cabinets, air conditioners and washing machines - have over 30% market share. In overseas markets, Haier products are available in 12 of the top 15 chain stores in Europe and 10 leading chain stores in the USA. Haier is now approaching its goal of being "local" in American and European markets via localized design, manufacturing and sales processes. In addition, Haier has set up production facilities and plants in the USA, Italy, Pakistan, Jordan and Nigeria.

Haier's innovative management principles, such as Haier's OEC management model, "market-chain" management and "individual goal combination" – a system of assigning incentives-based responsibility to staff to ensure the quality of products delivered to their customers – have gained high recognition among international management institutes. Haier business case studies are included in the text books of Harvard University, University of Southern California, Lausanne Management College, European Business College and Kobe University.

### **Services**

With the concept of "customers as the foundation of growth", Haier provides a one-stop star service to its customers. In a joint survey conducted by the China Consumer Association and the China Enterprise Research Centre of Tsinghua University on China's domestic durable commodities for 2003 and 2004, 8 of Haier's product categories were ranked No. 1 for customer satisfaction and overall satisfaction.

In addition to high quality home appliances, Haier is also focused on offering best-of-breed service solutions to its customers. Haier's service system runs throughout the production process from product design, production, manufacturing, to pre-sale, under sales and after sales service. Since 2002, Haier has successfully established a network of over 5,000 domestic professional service suppliers to deliver timely customized service.

### **Partners**

Haier has established an extensive sales network around the globe. Key partners in perspective markets include:

- **China:** Strategic alliance with Suning and Gome chain stores
- **America:** Cooperation with TOP 10 retailers, e.g. SEARS, Lowe's, HOME DEPOT, Best Buy, PC-Richard, Wal-Mart, Sam's, Costco, BrandsMart and Target
- **Japan:** Cooperation with TOP 10 retailers, e.g. YAMADA, KOJIMA and JUSCO
- **Europe:** Cooperation with KESA, Media Market and Carrefour

## Company Facts

The Haier Group is China's largest home appliance brand and one of the world's leading white goods home appliance manufacturers. Haier was founded in 1984 in Qingdao, Shandong Province, China and manufactures home appliances in over 15,100 different specifications under 96 categories. By April 2006, the Haier Group has obtained 6,189 patented technology certificates and 589 software intellectual property rights. Haier products are sold in over 100 countries. Haier is the official Home Appliances Sponsor of the Beijing 2008 Olympic Games.

Headquarters: Qingdao, Shandong Province, China

Employees: Over 50,000 worldwide

Financial Information:

Haier's global revenue in 2005 reached RMB 103.4 billion  
Average annual growth of 68% between 1984 and 2005

No. of Subsidiaries: Over 240

Listed Subsidiaries:

Haier Electronics Group Co., Ltd. listed on the Hong Kong Stock Exchange  
Qingdao Haier Co., Ltd. Listed on the Shanghai Stock Exchange

Business Scope:

Technology research  
Product development and manufacturing  
Trade  
Financial services

Key Product Lines:

Refrigerators/Freezers, commercial air-conditioners, microwave ovens, washing machines, dishwashers, televisions, mobile phones, computers

**Global Presence:**

Trading Companies: 64

Design Centers: 8

Industrial Complexes: 15

Sales Network : Over 58,000

**Board of Directors**

Chairman and CEO: Mr. Zhang Ruimin

President: Ms. Yang Mianmian

Vice Chairman: Mr. Wu Kesong

### **Recognition:**

Ranked 86th among the world's 500 Most Influential Brands by World Brand Lab in 2006. Only Chinese brand to be ranked in top 100 for three consecutive years

Ranked 1st among Chinese brands with the most potential by Glebors Global Financial Reports of Canada, 2006

Ranked 1st among China's Top 10 Global Brands by the Financial Times in 2005

Ranked 1st among China's Top 10 Global Brands by China State Bureau of Quality and Technical Supervision (CSBTS) for refrigerators and washing machines in 2005

CEO Zhang Ruimin ranked 26th among World's Most Respected Business Leaders by the Financial Times in 2005

CEO Zhang Ruimin ranked 6th among Asia's 25 Most Powerful People in Business by Fortune magazine in 2004

Received a World Climate Award from the United Nations Development Program and the US Environment Protection Administration in 2000

### **Home appliances**

#### *General home appliances*

#### Refrigerators

Haier is one of the world's largest and most advanced refrigerator manufacturers, producing over 12 million units of refrigerators and freezers annually at its 20 production facilities worldwide. Haier consistently applies leading global technologies in the manufacturing of its products. Haier is the first company to make breakthroughs in integrating fluorine-free, energy-saving technologies with large freezing capacity, and solve technological problems related to sterilization. Haier has also rolled out the world's first variable-frequency refrigerator, which is made of heat insulating material designed for aerospace.

#### Household Air Conditioners

At its eight large production bases in China, Haier uses the world's most advanced automatic flexible production lines to ensure the delivery of large quantities of highly reliable air conditioners, which are exquisite in quality and free of defects.

#### Washing Machines

Haier produces washing machines of 5,000 different specifications under 18 categories, and is the only company in the world with the capability of large scale production of top load washing machines (popular in Asia), front load washing machines (popular in Europe), agitator washing machines (popular in America) and dual-drive washing machines. Haier, with a mission of "customer-oriented design", pays great attention to safety, health, and the environmental concerns of consumers in designing its products. Haier has introduced a series of new hi-tech environmentally-friendly washing machines, staying ahead of the market trend and demonstrating the technological innovation capability of the company.

#### Freezers

Haier produces 1.8 million units of freezers each year. Haier is licensed to supply products for military provisions, and is the only company to win the bid for three consecutive years. Haier freezers have received ISO9001 quality, ISO14001 environmental compliance, and ISO12001 metering and testing certification. Haier is also China's first freezer maker to receive TUV International Safety Certification, and was the first to receive a no-fluorine certificate from the United Nations Development Programme.

#### Vacuum Cleaner

Developed with the Haier spirit of continuous innovation, Haier dust collectors consistently lead the trend in the dust collection market. Haier's dust bag series are innovatively designed to collect dust from all directions. The user-friendly design includes such features as a speed-adjustment button on the handle, dust bag design, and lightweight aluminum alloy cord.

#### *Home appliances for kitchen and bathroom*

##### Integrated Kitchen

Haier integrated kitchen products come with an advanced green safety system, and are equipped with environmentally friendly material, dust-free digital technology, high-quality sync installation and one-stop green service channel, thus bringing customers the ultimate green and safety experience. Haier Kitchen Company is the only company in its product segment to receive ISO9001 quality certification in China.

##### Water Heaters

Haier manufactures water heaters of 300 specifications under 12 categories, including electric water heaters, gas water heaters, solar energy heaters, and gas boilers, in the categories of mechanical, electric, and network-based, and with the capacity range of 5-litres to 500-litres. With the application of high technology, Haier produces water heaters in a wide range and specifications both for home and commercial use. Haier follows its "Safety-based Products" philosophy in manufacturing water heaters and leads the industry in safety technologies.

##### Kitchenware

Haier's kitchen appliances cover 4 categories: dishwashers (see above introduction, exhaust fans, gas cookers and sterilizing cupboards, in more than 300 specifications. Haier Kitchenware products are based on environmentally friendly technology, with zero leakage and low radiation. The products have won environmentally friendly and green product certifications in both China and the US.

##### Microwave Ovens

Haier offers microwave ovens in 50 varieties under 8 categories, including mechanical, electronic and digital, and with the capacity range of 17-litres to 40-litres. Haier ovens feature both stainless steel and painted stoves, and come with top doors and side doors. In 2003, Haier developed the steam microwave oven, taking the lead in the application of new technology. Haier is committed to manufacturing high-quality, high-tech and environmentally friendly products, using components made by the world's top 500 companies. Haier microwave oven products have received FCC and FDA certificates from the U.S. Federation Drug Administration.

#### *Audio and video products*

##### Color TVs

Growing at an annual rate of 141% over the last 9 years, Haier color TVs are manufactured with the application of high technology. Haier aims to provide the right products for different consumer groups, gaining high customer recognition. Haier is committed to strengthening its global competitiveness, with the creation of a global supply

chain under the concept of “competitive cooperation”. Haier’s extensive range of products, including traditional TVs, flat-panel TVs, digital TVs, wireless TVs, touch TVs and 5.1 sound system TVs, aim to bring more freedom, comfort and greater entertainment to homes and customers.

#### DVD Players

Haier offers a diverse line of DVD players of exceptional quality. Haier DVD players are favored by consumers for their performance and after sales service. The products have won a number of awards for environmental protection and energy efficiency.

#### *Commercial Air Conditioners*

Haier has become a well-known global brand for commercial air-conditioners for its strong R&D, excellent product performance, and marketing capability. Haier delivers commercial air conditioners, large multi-system air conditioners and large cold-water air conditioning units in 8 categories and 260 specifications, featuring an integration of fluorine-cooling, wind-cooling and water-cooling functions. Haier’s variable-frequency, variable capacity multi-system central conditioners, flexible variable-capacity screw compressors, and household variable-frequency central air conditioners lead the industry trend with their energy efficiency.

#### **Communication and IT products**

##### *Mobile Phones*

Based on the philosophy that the technology and fashion can co-exist, Haier integrates state-of-the-art wireless communication technologies into a complete range of in-fashion mobile phones. Haier mobile phones include such latest features as GSM/GPRS technology, integrated digital cameras, MMS, MIDI Polyphonic ring tones and color LCD screens. The product line includes bar-type phones, clamshell phones, smart phones and the new and unique slim phones.

##### *IT products*

#### Computers (desktop and laptop)

With a special attention to users’ health, and eye-protection, Haier makes desktop and laptop computers for personal and commercial use in different ranges, including the world’s first laptop with 2.0 mega-pixel camera. Haier is committed to delivering a full-service package, and offers free software commissioning. By establishing strategic alliances with suppliers, such as Intel, Microsoft, China Unicom and China Netcom, and taking advantage of the technology and resources of its partners, Haier consistently improves the quality of its computers. In product R&D, Haier employs a team of top class engineers from the U.S., Japan, Republic of Korea, and China’s Taiwan region, and has established a strict-quality control system.

#### Digital Information Products

Haier offers a number of patented digital information products, including MP3 and MP4. Haier is committed to delivering personalized products, services and application solutions to meet the individual needs of users.

#### **Haier Pharmacy**

Founded in 1996, Haier Pharmacy is the newest growth area within the group. The product offerings cover 80 specifications under 60 categories including medical raw materials, tablets, capsules, granules, oral liquid, medicine powder for injection, lyophilized powder for injection, eye drops, etc. The products of Haier Pharmacy fall into four categories of marine drugs, Chinese medicine, Western medicine and healthcare products, with focused areas of the

heart and cerebral system, digestive system, osteoporosis, diabetes and healthcare, all of which have received GMP certification in China.

### **Haier services**

#### *Intelligent Home Integration*

Haier's intelligent system is the mainstay of Haier E-home program. Haier provides comprehensive solutions for communities, hotels, supermarkets, office buildings, factories, urban security departments and homes, and delivers a series of intelligent products, such as digital video phone systems, security monitoring systems, anti-burglary alarms, home environment control and access control systems.

#### *Networked Digital Home Solutions*

Haier launched the third generation of networked home appliances, called "Haier E-home", in 2005. Haier deploys "Haier E-home" using a technological system based on proprietary intellectual property rights, such as home network system structure and home network communications technology. The home network is divided into a main network transmitting high speed information, and a sub-network transmitting low speed information. Haier E-home can enable remote access to home appliances and the interconnection of appliances through the Internet, PDA, mobile communications network, cable TV network and fixed line networks.

#### *Travel*

Haier Group's Conference & Exhibition Division provides one-stop service for organizing meetings and conferences, from preparation to hosting the event. Haier's hotel system is able to provide conference services, accommodation, catering and entertainment. Haier Science and Technology Museum is an exhibition hall of modern industries invested in by the Haier Group. The museum, based on Haier's enterprise culture, is a comprehensive facility serving as a science and technology museum and cultural center, and providing travel and entertainment services. The Haier International Travel Agency mainly offers business travel services.

#### *Insurance*

Established in 2001, Qingdao Haier Insurance Agency delivers insurance policies on behalf of insurance companies through Haier's comprehensive network and large customer base. The company also makes loss assessments and handles compensation on behalf of insurance companies.

#### *Logistics*

Haier Logistics was established in 1999. By establishing a global network of suppliers, Haier has gained significant advantages in terms of cost and R&D. Haier aims to establish an efficient supply chain and provide customer-oriented value-added services. Haier logistics is growing into a global trade company through continuous supply chain management optimization.

### **Haier Software**

Qingdao Haier Qingda Software Company, established in 1998, is a high-tech enterprise engaged in development of embedded systems, information software, and system integration. Its main business is focused on the development of commercial intelligent systems and embedded systems, software outsourcing, system integration and the development of multimedia systems. Haier Group's LCD TV and plasma TV control panels are all designed by Haier Qingda.

### **Haier Real Estate**

Qingdao Haier Real Estate Development and Investment Company is a wholly-owned subsidiary of the Haier Group. In developing its real estate business, the company pays high attention to improving the quality of construction and living conditions, while making efforts to preserve cultural heritage and to facilitate a healthy and civilized living environment.

#### **1984-1992**

1984

Haier is born out of Qingdao Refrigerator Factory in Qingdao, China, with the appointment of Zhang Ruimin as Director and a new leadership team. Haier brand refrigerators, freezers and home air-conditioners are launched.

1989

Haier Company Limited is established in Qingdao after the restructuring of the Qingdao Refrigerator Factory.

1990

Haier exports its first batch of refrigerators to Europe, with Germany as the first destination.

1991

The Haier Group is formed with the merger of Qingdao General Refrigerator Factory and Qingdao Air Conditioner General Factory.

#### **1992-1998**

1992

Haier receives ISO 9001 certification.

1993

The Haier Refrigerator Company is listed on the Shanghai Stock Exchange (SHA:600690).  
Haier refrigerators and other products enter the Middle East market.

1995

Haier launches its first microwave oven and top-loading washing machine. Haier completes merger with Qingdao Red-Star Appliance Co., Ltd.  
Haier begins exports to the USA, initially in OEM form, and later with Haier branded products.  
Haier begins overseas expansion with the establishment of a local assembly plant in Southeast Asia.

1996

Haier launches commercial air-conditioners and front-loading washing machines.  
Annual production of washing machines reaches 1 million units.

1997

Haier begins production of color television sets and dish washers.

#### **2002-2004**

2002

Haier products enter the Australian and New Zealand markets.  
First washing machine rolled off the production line in Pakistan.  
Haier proposal of safe care water heater technology initiative accepted by the 66th IEC Conference.  
Haier establishes trading companies in Malaysia and Thailand.  
Sanyo-Haier Company, a joint venture between Haier and Japan's Sanyo, is established in Japan.

2003

Haier Benfeng brand slim mobile phones launched in Beijing.  
First "made in Jordan" Haier washing machines rolled out in the Middle East Haier enters the home computer market.

## **2004-Now**

2004

Haier home computers introduced into the French market.  
Haier Middle East Industrial Complex opened in Jordan.  
Haier Electronics Middle East Company established in Dubai.  
Haier's global revenue exceeds RMB100 billion (US\$12 billion).

2005

Haier dual drive washing machine technology included in the 2006 IEC standard proposal.  
Haier establishes a wholly owned subsidiary in Australia.  
Haier introduces 'e-Home' products including the first wireless networking digital home solution based on self developed IP technology.  
The total sales volume of Haier "Patriot IV" and QPSK decoding chips reach over 15 million.  
Haier Electronics Group Co., Ltd. is listed on the Main Board of the Stock Exchange of Hong Kong (HKG:1169).

2006

Haier non-detergent powder washing machine launched in Malaysia.

## **Europe Introduction**

Haier has gained wide recognition in European appliance market for high quality, unique design and efficient customer service. In 2002, Haier's 6 refrigerators met Euro A+ Criteria in energy efficiency and, as a result, buyers of such Haier refrigerators in Germany, Netherlands, Belgium and Louisburg may receive government subsidy of 100 Euro (Approximately RMB750). Due to the enhanced competitiveness, sales of Haier products in Europe have increased by 15 folds over that in past 3 years.

On June 19, 2001, Haier merged with an Italian refrigerator plant soon after Haier established a refrigerator plant in the United States under the guidance of Haier's localization strategy. Haier does not only have a whitegoods manufacture facility and take part in the local professional organizations, but also established an information network and supply chain in Europe. Haier uses local finance, talents and culture to enhance the reputation of Haier brand. All of this demonstrates Haier's European style business practice and the competence to be a multinational company in the world marketplace.



## **United States Introduction**

Haier America plant and Haier's globalization strategy

Haier's localization branding strategy has three phases, ie. initial period, further developing period and branding period. These three phases demonstrate how Haier enters the world marketplace.

In phase 1, Haier did not pay attention to revenue, but also brand reputation in the practice of product exportation

In phase 2, Haier made decision to exploit market and then to establish manufacture plants in foreign countries.

In phase 3, Haier used local resources of design, manufacture and distribution in foreign countries. If this process is likened to a tree, these three phases are seeding, rooting and harvesting.

These three phases developed in practice while the awareness of Haier management of international business were deepened.

1. Common understanding of the strategy to exploit market in developed countries before developing countries by gaining recognitions of local consumers for Haier brand.  
 First of all, Haier management realized that traditional concept on export should be abandoned and believed that purpose of a company to export products was not only for revenue, but also for brand recognition enhancement.  
 To survive the fierce competition in the world marketplace, Haier adhered to the strategy to exploit market in developed countries first and in developing nations second. Haier started globalization strategy in some European countries and the United States. After some progress has been made, Haier shifted the efforts to exporting products to developing countries in condition that Haier trademark being used for the products to be exported. Haier gained the public recognition for Haier branded refrigerators with Haier product quality.
  
2. Haier has made significant success in implementation of the strategy to incorporate local resources of design, manufacture and distribution in foreign countries as part of Haier's policy to exploit international market (of the products, one third manufactured and distributed in China, one third manufactured in China and distributed overseas and one third manufactured and distributed in foreign countries). Haier has established 10 information centers and 6 design institutes in foreign countries for development of competitive products on the basis of local consumers' demands. Since 1996, Haier has started manufacture in Philippines, Indonesia, Malaysia and the United States. In April, 1999, Haier established a plant in South Carolina symbolizing the start of Haier's policy to incorporate local resources of design, manufacture and distribution in foreign countries by the design institutes in Los Angeles, the manufacture plant in South Carolina and utilization of local finance and talents with an aim to develop Haier a world's recognizable brand. Haier CEO Zhang Ruimin summarized Haier's development policy as "globalization plus localization". Globalization means policy-making with consideration of worldwide opportunities while localization means the process in which Haier brand becomes recognized in local areas. An example is Haier's advertisements including "What The World Comes Home To" in the United States and "Haier and Higher" in Europe.
  
3. Efforts to be paid for satisfaction of advanced customer demands. Haier's goal in implementation of the globalization strategy is to become world's recognizable brand. Haier believes that it is not enough to only focus upon product quality, but satisfaction of local consumers' demands. Haier energy efficient Freon-free refrigerator is a good example as this product did not only meet international environmental protection criteria, but also satisfy consumers' needs. The product consumes 50% less power than any other model as a result of incorporating advanced technology and gains world recognition. This refrigerator meets Germany Class A Criteria and consumers of this model product in Germany may receive government subsidy. In addition, Haier products sold in American market have met USA 2003 Criteria on Energy Efficiency.

#### Chinese largest investment project in the USA

On April 30, 1999, Haier held a foundation stone laying ceremony for Haier's 445,000 square meter production plant in Camden, South Carolina. The project was completed by six phases. The phase 1 project of 27,000 square meter refrigerator plant was put into operation in March, 2000 with an annual production capacity of 500,000 units, ranking 6th of its kind in the United States.

#### Why does Haier set up a plant in the USA?

Firstly, Haier is to exploit market in the United States. China 1998 and 1999 refrigerator export to the USA was valued at USD47.18 million and USD60.81 million, respectively, of which Haier products was USD17 million and USA31 million each. Statistics show that the minimum production volume for a refrigerator plant to gain profits was 280,000 units. Haier's current refrigerator export is far more than this figure.

From the official statistics, the market share of Haier compact refrigerators below 180L in the United States is over 30% and is expected to get to 50% in 2002. However, it was difficult to ship large volume Haier refrigerators to the United States due to the long distance between the two nations. The successful operation of Haier America plant has helped Haier to reorganize its production structure and to expand its market share in the United States.

Secondly, it can effectively avoid non-tariff barrier of international trade to operate a manufacture plant in the United States. An example of freight, the USA administration once raised of container freight by about 50% for the goods shipped from Asia to the United States. Some other problems, such as technical barrier, would not be easily solved even if China becomes a WTO member. Haier believes that the key to further exploit American market is to reduce the cost for entering American market.

Localization greatly relies upon utilization of local talents resource.

Haier America was Haier's first company established in a foreign country to implementing Haier's overseas promotion policy. Haier believes that the fundamental strategy for Haier America to become a localized company is to use local talents resource that is to make employees of Haier America understand and accept Haier's philosophy in business practice. Haier did not send Chinese management, but hire Americans to manage the plant.

One of the management of Haier America Trading Company is Mr. Michael, president with an annual remuneration of USD250,000. What Haier did was to introduce Haier corporate culture to him, and then he helped all the employees to share common understanding of it. Obviously, this could not be done by any Chinese employee of Haier.

In practice, this method has proven to be practical for American market and culture. Mr. Michael became confident for Haier and Haier corporate culture with the development of Haier's business in the United States. He believes that Haier is an energetic and potential enterprise and is determined to approach his goal that the sale of Haier America accounts for one third of Haier's global revenue in a possibly short period.

To exploit American market, he often works overtime. Many Americans think that working in Sundays is unbelievable, or even ridiculous. However, Mr. Michael often takes software and notebook computer home on Sundays. He also visits Haier's headquarters in Qingdao quite often as he enjoys good impressions of the ambitious spirit and high efficiency of Haier employees who receive him every time. He wishes to work for Haier as his career in his whole life.

Haier America is a symbol of the progress Haier has achieved from the initial period of globalization to the stage of globalized Haier.

In addition to Haier America, Haier has established refrigerator and washing machine plants in Indonesia, Philippines, Malaysia and Iran since 1996. Currently, Haier has 13 overseas factories. Haier establishes the factories and trading companies in the key economic regions in the world, including the USA, Europe and Middle East, with an aim to use local resources for product manufacture and distribution and to make Haier a global recognizable brand. Haier's initial period of globalization is a foundation of Haier's second stage, Globalized Haier. The key of Haier's globalization is to introduce the international standards and criteria as the guidance of its routine management. If this is likened to a physical competition, qualification is basic for an athlete. As for Haier, product quality, financial management and marketing efficiency complying with international standards in terms of business practice are three fundamental elements to take part in the competition in global marketplace. Product exportation is the basic activity in the initial period of Haier's globalization. However, in the period of Globalized Haier, Haier China is no longer a manufacture plant exporting products, but a part of the globalized Haier which consists of Haier America, Haier Europe, Haier Southeast Asia and so on.

VOA report praises Haier's success in the United States

Staff: The VOA released a report on January 30 praising Haier's success in the United States. To seek the secret of Haier America's success in the United States, Jackson Chou, a well-known journalist of VOA, visited Haier America plant and Haier's headquarters in Qingdao. "To exploit American market, Haier established a refrigerator plant in Camden, South Carolina. Many people did not expect large investment by a Chinese company and would rather believe that Haier might purchase an ailing refrigerator plant in Camden or cooperate with a small American refrigerator company. I was surprised when I saw Haier in Camden. It is a completely new, rectangular 300,000 square meter American standard workshop."

McKinsey Quarterly: Zhang Ruimin Taking Haier Higher

Not long ago, a report, titled China's Refrigerator Magnate, written by Wu Yibing, a staff journalist of McKinsey Quarterly, was published on Edition 3/2003 with a subtitle, Zhang Ruimin, CEO of the Haier Group - the Chinese company that is the world's fifth biggest maker of white goods - describes his plan to create a global brand, is determined to create global recognizable brand. Zhang Ruimin iterated on Haier's ambition to gain worldwide recognition as a name brand in the world community through implementation of Haier's SBU management and localization policy. McKinsey Quarterly highly praised Haier's success, "Haier is seeking an effective way for branding by selling




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Consulate-General in New York, accompanied by his wife, paid a visit to headquarter of Haier America and was quoted as saying, "I hope more Chinese companies purchase office buildings in New York."

On March 11, Chinese Consulate-General Liu Biwei and his wife as well as the Economic and Commercial Counselor of Chinese Consulate General in USA Yuan Zhanling visited the headquarters building of Haier America upon an invitation.

Mr. Michael showed the visiting guests around in the headquarter building and made an introduction to Haier America.

Chinese Consulate-General Liu Biwei delivered his appreciations to the Chinese and American employees of Haier America and said that Haier is not only a household word in China, but also

**Taking Haier higher**



**Zhang Ruimin**

**Vital statistics**

- Born January 5, 1949, in Laizhou, Shandong, China
- Married with 1 child

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**Education**

- Graduated in 1995 with MBA from University of Science and Technology of China

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**Career highlights**

- Haier (1984–present)

novative products to niche consumers before expanding market share with the mainstream products. The policy has enabled Haier to earn high profits as Haier does not desire to compete world players by simply supplying cheap products".

Liu Biwei, Chinese

in many countries. Like I have heard, Haier headquarters office building, an estate with the most expensive location in Broadway, New York, is a pride of Chinese people, including me, a representative of Chinese government, as it shows the world the success a Chinese company has made in the United States. I hope that more Chinese companies come to develop business in the United States." He also said that China's diplomatic mechanisms were responsible for China's economic activities and the Chinese Consulate General in USA should provide assistance to Haier and any of other Chinese enterprises carrying out business in the United States. At last, the Consulate-General Li Biwei wished every success to Haier America.

## Corporate Milestones

- **September and October 2000** - Two joint venture companies were established in Hong Kong and Qingdao respectively between Haier Group and CCT Telecom Holdings Limited for the mobile handsets business
- **December 2001** - Haier Group injected its 49% stake of Pegasus Hong Kong into the Hong Kong listed Haier Electronics Group; At the same time, CCT Telecom injected its 51% stake of Pegasus Hong Kong and 49% stake of Pegasus Qingdao into the Company, making Pegasus Hong Kong a wholly-owned subsidiary of Haier Electronics Group, and Pegasus Qingdao owned as to 49% by Haier Electronics Group; Haier Group effectively has a 22% interest in the Hong Kong listed company
- **October 2002** - Haier Group injected its 15.5% stage of Pegasus Qingdao into Haier Electronics Group, increasing its shareholding of the Hong Kong listed company to 29.9%
- **January 2005** - Haier Group injected its remaining 35.5% of Pegasus Qingdao and the majority of its washing machine business into Haier Electronics Group, further increasing its shareholding of 1169 to 50.3%
- **February 2005** - The Group changed its name from Haier-CCT Holdings Limited to Haier Electronics Group Co. Ltd.. Haier Group remains the Group's major shareholder with 50.3% stake
- **November 2005** - The Group entered into an agreement with Deutsche Bank to sell 3,926,774,819 shares, representing approximately 23.98% of the issued share capital of the Group, at a consideration of HK\$557,602,024,298 (equivalent to HK\$0.142 per Share).
- **April 2006** - The Group entered into agreements with a subsidiary of the Haier Group to dispose of its mobile handset business for an aggregate consideration of approximately HK\$420 million.
- **June 2006** - A Special General Meeting of shareholders of the Group was convened and the resolution regarding the sale of the Group's mobile handset business was duly passed.
- **August 2006**- The Group entered into an agreement with Haier Group to acquire its business of research, development, production and sale of front loading washing machines and water heaters for a consideration of HK\$900 million, signifying a further step has been taken by Haier Group to transform the Group into the listed flagship of its white goods businesses.
- **October 2006**- A Special General Meeting of shareholders of the Group was convened and the resolution regarding the acquisition of Haier Group's front loading washing machines and water heaters businesses was duly passed.

## Key businesses

Top loading washing machine business

In 2006, the Group's top loading washing machine business continued to report substantially improved financial results. The strong performance was the result of successful product positioning and marketing strategies whilst focusing effort on technology innovation, leading to higher growth in sales of high end products.

Our environmentally friendly dual-drive washing machines, which are invented by our own research team and do not require the use of washing powder, in particular, recorded a robust growth in sales and established a sound reputation both domestically and internationally for its environmentally friendly, safety and energy efficient features. In recognition of its excellence in both technology and quality, our dual-drive washing machines have been awarded quality and technology certificates from international organizations in more than 10 countries. Moreover, our environmentally friendly dual-drive washing machines were awarded a golden prize in 2006 China International Patent Fair, adding another trophy to the already long list of awards we have on our washing machine products.

To cope with our strong growth in sales, a new factory with annual production capacity of approximately 1 million units was recently established in Jiaonan, Shandong Province, the PRC. Production has commenced in the fourth quarter of 2005, boasting our annual production capacity to more than 6 million units. To cater for further growth in sales, another factory with annual production capacity of approximately 1 million units is being constructed in Chongqing and is scheduled to commence production in the fourth quarter of 2006. This will further increase our annual production capacity to more than 7 million units by the end of 2006.

### **Outlook and prospects**

Upon completion of the asset injection from Haier Group, in addition to the top loading washing machine business currently undertaken by the Group, the Group will also be engaged in the business of research, development, production and sale of front loading washing machines and water heaters. The management of the Group believes that such consolidation of businesses will create a comprehensive product portfolio and significantly strengthen the overall competitiveness of the Group's washing machine business while eliminating potential competition and conflict of interests between the Group and the Haier Group on the management of the washing machines businesses. Moreover, as both washing machines and water heaters are consumer white goods with similar sales and marketing strategies, the asset injection will create synergies and increase the value of the Group as a whole. The asset injection is also expected to significantly improve the financial performance of the Group.

Further ahead, the Group is also actively looking for further asset injection opportunities from the Haier Group, in particular, the Haier Group's equity interests in Qingdao Haier Co., Ltd. (a joint stock company listed on the Shanghai Stock Exchange) which is principally engaged in the research, development, production and sale of air-conditioners, refrigerators and other small home appliances. However, no definite time schedule has been set and no binding agreement has yet been entered into with the Haier Group in respect of further asset injections.

It is the Haier Group's intention to turn the Group into the listed flagship of its white goods business and ultimately become a global top 3 white goods manufacturer. The Haier Group has so far adopted a prudent strategy in bringing its quality white goods assets to the international capital markets by injecting the same into the Group, as evident from its step-by-step approach in its injection of several white goods assets into and divestment of the mobile handset business from the Group. Going forward, the Haier Group intends to adopt a similar strategy in further asset injection of its other potential white goods assets into the Group at such time as it considers appropriate