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# Welling

## WELLING HOLDING LIMITED

### 威靈控股有限公司

*(incorporated in Hong Kong with limited liability)*

(Stock Code: 382)

## **CONTINUING CONNECTED TRANSACTIONS FURTHER RENEWAL OF LOGISTIC SERVICE AGREEMENT**

### **Further Renewal of Logistic Service Agreement**

Reference is made to the Announcement in respect of the entering into of the Renewed Logistic Service Agreement by the Company to renew the Logistic Service Agreement for a three-year term. Since the Renewed Logistic Service Agreement expired on 31 December 2012, the Board announces that on 11 January 2013, the Company entered into the New Logistic Service Agreement with Annto to further renew the Logistic Service Agreement for a term of three years and set out the new annual caps of the Logistic Services fees payable thereunder for the three years ending 31 December 2015.

As Annto is a subsidiary of Midea which is the controlling shareholder of the Company, each of Annto and its subsidiaries is an associate of Midea and a connected person of the Company under the Listing Rules. The transactions contemplated under the New Logistic Service Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As all of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the annual caps for the Logistic Services fees payable under the New Logistic Service Agreement are less than 5%, the transactions contemplated under the New Logistic Services Agreement are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **BACKGROUND**

Reference is made to the announcement of the Company dated 13 April 2010 ("Announcement") in respect of the entering into of the Renewed Logistic Service Agreement by the Company to renew the Logistic Service Agreement for a three-year term. Since the Renewed Logistic Service Agreement expired on 31 December 2012, the Board announces that on 11 January 2013, the Company entered into the New Logistic Service Agreement with Annto to further renew the Logistic Service Agreement for a term of three years and set out the new annual caps of the Logistic Services fees payable thereunder for the three years ending 31 December 2015.

Details of the New Logistic Service Agreement are set out below:

<b>Date :</b>	11 January 2013
<b>Term :</b>	Three years from 1 January 2013 to 31 December 2015
<b>Parties:</b>	the Company; and Annto
<b>Nature of transactions:</b>	Provision of the Logistic Services by Annto and/or its subsidiaries to the Group.
<b>Pricing basis:</b>	The quotations set out in the tenders submitted by Annto to the Group, or (to the extent that any services or combination of services have not been specified in the quotations) as agreed between the parties.

The service fees will be determined with reference to the market price, together with quantity, distance and timing of the orders. The prices and/or the terms of the Logistic Services available to the Group shall not be less favourable than the similar logistic services offered by Annto to any independent third parties on the same conditions.

**New annual caps:**

Pursuant to the New Logistic Service Agreement, the amount of the Logistic Services fees payable by the Group to Annto for the transactions contemplated thereunder shall not exceed the below annual caps for the three years ending 31 December 2015:

	<b>Year ending 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Logistic Services fees	10,000	12,000	14,000

The new annual caps set out in the New Logistic Service Agreement have been determined after taking into account (i) the estimated logistic service fees payable to Annto and its subsidiaries; and (ii) the demand for logistic services according to the business plan of the Group for the next three years.

The historical actual amounts of Logistic Services fees paid by the Group to Annto during the year ended 31 December 2010 was RMB34,000. No service fees were paid to Annto by the Group for the two years ended 31 December 2012.

The total transportation expenses of the Group for the two years ended 31 December 2011 amounted to RMB58 million and RMB76 million respectively. For the period ended 30 November 2012, the total transportation expenses amounted to RMB69 million. The historical actual amounts of Logistic Services fees paid to Annto accounted for only a small portion of the total logistic service requirements by the Group. Use of logistic services provided by Annto is determined by the number of successful bids to be accepted by the Group as well as the price quoted in the tenders submitted by Annto. It is considered appropriate to set slightly higher annual caps for the Logistic Services fees for the three-year term of the New Logistic Service Agreement to give greater flexibility to the Group in the event that it is in the Group's best interests to, and therefore it decides to, select Annto for the provision of Logistic Services .

## **Reasons for, and benefits of, entering into of the New Logistic Service Agreement**

Annto has been one of the logistic service providers of the Group since 2008 and has proven to be an efficient and reliable logistic service provider. The policy of the Group for selecting logistic service providers is mainly based on service quality and price. Since the price offered by Annto has not been competitive during the last three years, only a small amount of logistic service fees was paid to Annto. However, since the principal place of business of Annto is in Wuhu, adjacent to the Wuhu factory of the Group, the entering into of the New Logistic Service Agreement is considered to provide the Group with a better option when selecting logistic service providers in Wuhu. The New Logistic Service Agreement will provide the Group with a greater flexibility when choosing between logistic service providers as the Group is not restricted to use the Logistic Services provided by Annto and/or its subsidiaries after entering into the New Logistic Service Agreement.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the New Logistic Service Agreement is in the ordinary and usual course of business of the Group, and that the terms thereof (including the new annual caps), which were agreed after arm's length negotiations, are normal commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Each of Ms. Yuan Liqun and Mr. Li Feide is a director of both the Company and Midea. They were regarded as having a material interest in the transactions contemplated under the New Logistic Service Agreement and had abstained from voting in respect of the relevant Board resolutions passed at the Board meeting held for considering and approving the New Logistic Service Agreement. Save as disclosed, none of the Directors has a material interest in the transactions contemplated under the New Logistic Service Agreement.

## **Listing Rules Implications**

As Annto is a subsidiary of Midea which is the controlling shareholder of the Company, each of Annto and its subsidiaries is an associate of Midea and a connected person of the Company under the Listing Rules. The transactions contemplated under the New Logistic Service Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As all of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the annual caps for the Logistic Services fees payable under the New Logistic Service Agreement are less than 5%, the transactions contemplated under the New Logistic Services Agreement are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under the Chapter 14A of the Listing Rules.

## **INFORMATION ABOUT THE COMPANY**

The Company is an investment holding company. The Group is principally engaged in the manufacturing and distribution of motors and electronic and electric components for electrical household appliances, including principally air-conditioners, washing machines, dishwashers, water heaters and refrigerators.

## **INFORMATION ABOUT ANNTO**

Annto is a subsidiary of Midea with its principal business engaged in logistic and transportation services including cargo agent services, general road cargo transportation, warehousing management and logistic technologies consultation services.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Annto”	means 安得物流股份有限公司 (Annto Logistics Co., Ltd.*) (formerly known as 蕪湖安得物流股份有限公司 (Wuhu Annto Logistics Co., Ltd.*), a limited company incorporated in the PRC and a subsidiary of Midea;
“Board”	means the board of Directors;
“Company”	means Welling Holding Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 382);
“Directors”	means the directors of the Company;
“Group”	means the Company and its subsidiaries;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“Logistic Services”	means the logistic and transportation services including cargo transportation, cargo distribution, warehousing and custody, transshipment and loading and unloading, as well as other related ancillary services provided under the Renewed Logistic Services Agreement and to be provided under the New Logistic Service Agreement;
“Logistic Service Agreement”	means the logistic service agreement entered into between the Company and Annto on 17 April 2009 which expired on 31 December 2009;
“Midea”	means 美的集團股份有限公司 (Midea Group Co., Ltd.*), a limited company incorporated in the PRC and the controlling shareholder of the Company holding approximately 69% of the issued share capital of the Company as at the date of this announcement;
“New Logistic Service Agreement”	means the agreement entered into between the Company and Annto on 11 January 2013 to further renew the Logistic Service Agreement for a further term of three years ending 31 December 2015;
“PRC”	means the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan;

“Renewed Logistic Service Agreement”	means the agreement entered into between the Company and Annto on 13 April 2010 to renew the Logistic Service Agreement for a term of three years ended 31 December 2012;
“Shareholder(s)”	means the holder(s) of the ordinary shares of the Company with a nominal value of HK\$0.5 each;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited; and
“RMB”	means Renminbi, the lawful currency of the PRC.

In addition, the terms “associate”, “connected person”, “controlling shareholder”, “percentage ratios” and “subsidiary” shall have the meanings ascribed to them under the Listing Rules.

By order of the Board  
**Welling Holding Limited**  
**Tang Wai Ying, Tracy**  
*Company Secretary*

Hong Kong, 11 January 2013

As at the date of this announcement, the Directors of the Company are:

*Executive Directors:* Mr. Zhou Xiangyang (*Chairman*), Mr. Jiang Deqing (*Chief Executive Officer*), Ms. Yuan Liqun, Mr. Li Feide, Mr. Lu Xiaoji and Mr. Li Yang

*Independent non-executive Directors:* Mr. Tan Jinsong, Mr. Lam Ming Yung and Ms. Chen Chunhua

*\* for identification purposes only*