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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 – RENEWAL OF THE EXISTING INTRA GROUP FINANCIAL SERVICES AGREEMENT

Reference is made to the announcement of the Company dated 27 September 2013 in relation to, among others, the provision of intra group financial services between the Company and Midea International under the Existing Intra Group Financial Services Agreement.

As the Existing Intra Group Financial Services Agreement will expire on 31 December 2015, the Company had on 17 December 2015 entered into the New Intra Group Financial Services Agreement with Midea International in respect of the Continuing Connected Transactions.

Midea International is a wholly-owned subsidiary of Midea, which is a controlling shareholder of the Company with approximately 68.64% indirect shareholding interest in the Company. Accordingly, Midea International is a connected person of the Company under the Listing Rules.

As the daily maximum outstanding balance of deposit contemplated under the New Intra Group Financial Services Agreement on an annual basis exceeds 0.1% but less than 5% of the applicable percentage ratios, the transactions contemplated thereunder constitute continuing connected transactions for the Company under Rule 14A.76(2) of the Listing Rules which are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempted from independent shareholders' approval.

Further, the provision of deposit services by Midea International to the Service Users under the New Intra Group Financial Services Agreement also constitutes the provision of financial assistance under Rule 14.04(1)(e) of the Listing Rules, and as each of the relevant applicable percentage ratios is less than 5% on an annual basis, the provision of deposit services does not constitute a notifiable transaction (as defined in Rule 14.04(7) of the Listing Rules) of the Company.

BACKGROUND

Reference is made to the announcement of the Company dated 27 September 2013 in relation to, among others, the provision of intra group financial services between the Company and Midea International under the Existing Intra Group Financial Services Agreement.

As the Existing Intra Group Financial Services Agreement will expire on 31 December 2015, the Company had on 17 December 2015 entered into the New Intra Group Financial Services Agreement with Midea International in respect of the Continuing Connected Transactions.

THE NEW INTRA GROUP FINANCIAL SERVICES AGREEMENT

Date: 17 December 2015

Parties: (1) The Company (as one of the Service Users)
(2) Midea International (as service provider)

Nature of transactions: Pursuant to the New Intra Group Financial Services Agreement, Midea International will provide deposit services and settlement and similar services to the Service Users.

Term: The New Intra Group Financial Services Agreement has a fixed term commencing on 1 January 2016 and ending on 31 December 2018.

Pricing policy: The pricing policy was determined by the Company and Midea International on an arm's length basis, based on applicable law and regulations, prevailing market conditions, normal commercial terms and the principle of fairness.

In respect of deposit services, Midea International will pay the Service Users interest accrued on the deposits calculated equal to or higher than the depository interest rate for similar services of the same term as announced by other independent commercial banks in Hong Kong (such as The Hongkong and Shanghai Banking Corporation Limited) from time to time.

In respect of settlement and similar services, the Service Users will pay an amount equal to or lower than the settlement and similar charges as announced by other independent commercial banks in Hong Kong (such as The Hongkong and Shanghai Banking Corporation Limited) from time to time for settlement and similar services provided by Midea International.

Existing caps and historical figures:	For the year ended 31 December 2013 <i>HK\$'000</i>	For the year ended 31 December 2014 <i>HK\$'000</i>	For the nine months ended 30 September 2015 <i>HK\$'000</i>
Existing caps	80,000	80,000	80,000
Daily maximum outstanding balance of deposit (including any interest accrued therefrom)	17,940	64,209	57,983

The aggregate fees and charges for the settlement and similar services payable by the Service Users to Midea International was, on an annual basis, not exceed the de minimis threshold of 0.1% calculated under Rule 14A.76(1)(a) of the Listing Rules during the term of the Existing Intra Group Financial Services Agreement.

Proposed caps:

The Company estimates that the proposed caps for the daily maximum outstanding balance of deposit (including any interest accrued therefrom) placed by the Service Users with Midea International shall not exceed HK\$80,000,000 for each of the three financial years ending 31 December 2018.

In arriving at the aforesaid caps, the Directors have taken into account factors including the Group's cash flow movements and the historical transaction amounts of the deposits placed by the Service Users with Midea International and/or other independent commercial banks in Hong Kong and Macau, the anticipated business volume of the Group, the financial control and treasure management of the Group.

With respect to the settlement and similar services, the Directors expect that the aggregate fees and charges payable by the Service Users to Midea International will, on an annual basis, not exceed the de minimis threshold of 0.1% calculated under Rule 14A.76(1)(a) of the Listing Rules during the term of the New Intra Group Financial Services Agreement.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Continuing Connected Transactions are conducted because of the financial needs and operations of the Group. The Directors are of the view that the Group would benefit from entering into the New Intra Group Financial Services Agreement for the following reasons:

- (1) By centralising cash management, the funds of the Service Users from various banks will be transferred to a designated bank with which Midea International undergoes cash pooling. The funds of the Service Users will then be pooled for deposits on terms no less favourable than those scattered deposits placed by the Service Users with various banks. The processing time required for the transit and turnaround of funds within the Service Users will be shortened, and clearing and settlement of payments will generally be more administratively efficient than if done through various banks. Furthermore, it would not be efficient for the Service Users to separately maintain bank accounts in different banks for clearing and settlement services. The Service Users may utilise Midea International as a primary clearing and settlement platform that provides access to a centralised cash pool, providing the flexibility to allocate such funds to meet funding needs, which will in turn help the Service Users to achieve a lower cost of funding and enhance overall operational efficiency.
- (2) The entering into of the New Intra Group Financial Services Agreement does not preclude the Service Users from using financial services from other banks. The Service Users still has its sole discretion to deposit and withdraw the funds with Midea International from time to time as it thinks fit and appropriate for the benefits of the Service Users. The Continuing Connected Transactions with Midea International will enable us to centralise our treasury management function and to share possible additional returns resulting from the economies of scale of Midea International.

Taking into account the no less favorable interest rates and other commercial benefits to the Service Users, the Directors (including the Independent Non-executive Directors) believe that the transactions contemplated under the New Intra Group Financial Services Agreement have been entered into in the ordinary and usual course of business and on normal commercial terms that are fair and reasonable in the interests of the Company and the Shareholders as a whole.

Both Ms. Yuan Liquan and Mr. Li Feide are directors of the Company, Midea International and Midea. They were regarded as having a material interest in the transactions contemplated under the New Intra Group Financial Services Agreement and had abstained from voting in respect of the relevant Board resolutions for considering and approving the New Intra Group Financial Services Agreement. Save as disclosed, none of the Directors has a material interest in the transactions contemplated under the New Intra Group Financial Services Agreement.

LETTER OF COMFORT GIVEN BY MIDEA

Midea has confirmed to the Company in writing that (among other things) it shall continue to maintain 100% ownership of Midea International and in the event of liquidity difficulties arising from Midea International, Midea shall provide financial support to Midea International sufficient to meet its obligations so as to prevent all the substantial risks or losses (including but not limited to the Service Users' deposits, interests and related expenses incurred) caused or potentially caused by its breaches or by its non-performance of any terms or default of the New Intra Group Financial Services Agreement.

INTERNAL CONTROL AND RISK MANAGEMENT MEASURES

The following internal control and risk management measures have been implemented in order to ensure and safeguard that the transactions contemplated under the New Intra Group Financial Services Agreement will not be prejudicial to the interests of the Company and the Shareholders:

- (1) Before entering into any transactions pursuant to the New Intra Group Financial Services Agreement with Midea International, the Company shall obtain at least three quotes from independent commercial banks in Hong Kong for similar services of the same term. The Company shall compare such quotes with those offered by Midea International to ensure that the price is no less favorable than terms available to the Service Users from independent commercial banks.
- (2) During the term of the New Intra Group Financial Services Agreement, Midea International shall provide its financial statements on or before the tenth business day of every month to enable the Company to monitor and review the financial condition of Midea International.
- (3) Midea International shall monitor its credit risks at all times. If any circumstances occur which may cause concern to the deposits placed by the Service Users with Midea International, the Service Users has the right to withdraw its deposits (including accrued interest) forthwith. In the event of liquidity difficulties arising from Midea International and subject to the letter of comfort given by Midea to the Company, Midea shall provide financial support to Midea International sufficient to meet its obligations under the New Intra Group Financial Services Agreement.

- (4) The Independent Non-executive Directors have reviewed and will continue to review the Continuing Connected Transactions to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the New Intra Group Financial Services Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.
- (5) The auditor of the Company will conduct an annual review on the pricing and annual caps of the Continuing Connected Transactions.

LISTING RULES IMPLICATIONS

Midea International is a wholly-owned subsidiary of Midea, which is a controlling shareholder of the Company with approximately 68.64% indirect shareholding interest in the Company. Accordingly, Midea International is a connected person of the Company under the Listing Rules.

As the daily maximum outstanding balance of deposit contemplated under the New Intra Group Financial Services Agreement on an annual basis exceeds 0.1% but less than 5% of the applicable percentage ratios, the transactions contemplated thereunder constitute continuing connected transactions for the Company under Rule 14A.76(2) of the Listing Rules which are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempted from independent shareholders' approval.

Further, the provision of deposit services by Midea International to the Service Users under the New Intra Group Financial Services Agreement also constitutes the provision of financial assistance under Rule 14.04(1)(e) of the Listing Rules, and as each of the relevant applicable percentage ratios is less than 5% on an annual basis, the provision of deposit services does not constitute a notifiable transaction (as defined in Rule 14.04(7) of the Listing Rules) of the Company.

INFORMATION OF THE COMPANY, MIDEA INTERNATIONAL AND MIDEA

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.

Midea International is a wholly-owned subsidiary of Midea, the principal activities of which are investment holding and trading. Midea International also provides deposit and loan services, and settlement and similar services to the intra group companies outside the PRC.

Midea is the controlling shareholder of the Company, the principal activities of which are engaged in the production of home appliances, motors and their parts, import and export of home appliances, home appliances raw materials and parts, installation, maintenance and after-sales service of home appliances.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Welling Holding Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange (stock code: 382)
“Continuing Connected Transactions”	the provision of deposit services and settlement and similar services by Midea International to the Service Users as contemplated under the New Intra Group Financial Services Agreement
“Director(s)”	the director(s) of the Company
“Existing Intra Group Financial Services Agreement”	the agreement entered into between the Company and Midea International on 27 September 2013 in relation to the intra group financial services for a fixed term from 27 September 2013 to 31 December 2015
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	Macao Special Administrative Region of the PRC
“Midea”	美的集團股份有限公司 (Midea Group Co., Ltd.*), a company incorporated in the PRC with limited liability (the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000333)) and is the controlling shareholder of the Company holding approximately 68.64% of the issued share capital of the Company as at the date of this announcement
“Midea International”	Midea International Corporation Company Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Midea
“New Intra Group Financial Services Agreement”	the agreement entered into between the Company and Midea International on 17 December 2015 in relation to the intra group financial services for a fixed term from 1 January 2016 to 31 December 2018

“PRC”	People’s Republic of China, but for the purposes of this announcement and for geographical reference only (unless otherwise indicated) excludes Hong Kong, Macau and Taiwan
“Service Users”	the Company and its subsidiaries outside the PRC
“Shareholders”	holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

* *The Chinese name of PRC entity has been translated into English in this announcement for reference only. In the event of any discrepancy between the Chinese name of such PRC entity and its respective English translation, the Chinese version shall prevail.*

On behalf of the Board
Welling Holding Limited
Xiang Weimin
Chairman

Hong Kong, 17 December 2015

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

Executive Directors: Mr. Xiang Weimin (Chairman), Mr. Zhong Lin (Chief Executive Officer), Ms. Pan Xinling, Mr. Li Li, Ms. Yuan Liquan and Mr. Li Feide

Independent Non-executive Directors: Mr. Tan Jinsong, Mr. Lam Ming Yung and Ms. Cao Zhoutao