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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 TENANCY AGREEMENT

BACKGROUND

The Board announces that given the 2013 Tenancy Agreement will expire on 31 May 2016, Hefei Welling, an indirect wholly-owned subsidiary of the Company, had on 30 May 2016 entered into the 2016 Tenancy Agreement with Hefei Hualing to renew the existing lease of Factory Premises for a term of two years commencing from 1 June 2016 to 31 May 2018 (both days inclusive).

LISTING RULES IMPLICATIONS

Hefei Hualing is a subsidiary of Midea and Midea is the controlling shareholder of the Company. Accordingly, Hefei Hualing is a connected person of the Company under the Listing Rules.

As the applicable percentage ratios exceed 0.1% but less than 5% on an annual basis, the transactions contemplated under the 2016 Tenancy Agreement constitute continuing connected transactions of the Company 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.

BACKGROUND

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2016 TENANCY AGREEMENT

Date:	30 May 2016
Parties:	(1) Hefei Welling, as landlord (2) Hefei Hualing, as tenant
Factory Premises:	The properties, consisting of factories, dormitory, canteen, power distribution room, air compression station and the affiliated facilities and annexes, which are located at the junction of Tian Dou Road and Zi Shi Road of Hefei Economic and Technological Development Area.
Lettable Area:	Approximately 30,310.8 square meter.
Nature of transactions:	Hefei Hualing will use the Factory Premises for the manufacturing of refrigerator components.
Term:	The 2016 Tenancy Agreement has a fixed term commencing on 1 June 2016 and ending on 31 May 2018 (both days inclusive). Subject to further negotiation between the parties, Hefei Hualing may serve notice to Hefei Welling not less than three months prior to the expiry of the 2016 Tenancy Agreement to renew the tenancy.
Rent:	RMB3,500,000 per annum, of which RMB875,000 shall be payable in cash 15 days prior to the commencement of each quarter.
Termination:	Each party may terminate the 2016 Tenancy Agreement by (i) serving three months prior notice to the other party subject to the consent of the other party; or (ii) paying the other party two months' worth of rent as compensation.
Historical transaction amounts:	The table below sets out the historical transaction amounts as contemplated under the 2013 Tenancy Agreement:

	From 1 June 2013 to 31 May 2014	From 1 June 2014 to 31 May 2015	From 1 June 2015 to 31 May 2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Historical transaction amounts	3,500,000	3,500,000	3,500,000

The annual consideration payable by Hefei Hualing under the 2013 Tenancy Agreement was less than 0.1% of the then applicable percentage ratios of the Company and was a de minimis continuing connected transaction under the then Rule 14A.33(3) (which is now Rule 14A.76(1)) of the Listing Rules. Therefore, the Company was exempted from any reporting requirements.

Proposed annual caps: The table below sets out the proposed annual caps as contemplated under the 2016 Tenancy Agreement:

	From 1 June 2016 to 31 May 2017	From 1 June 2017 to 31 May 2018
	<i>RMB</i>	<i>RMB</i>
Proposed annual caps	3,500,000	3,500,000

Pricing policy: In arriving at the aforesaid proposed annual caps, the Directors have determined mainly by reference to (i) the historical transaction amounts under the 2013 Tenancy Agreement; and (ii) the prevailing market rent for comparable factory premises at similar locations in Hefei.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2016 TENANCY AGREEMENT

The lease of the unused Factory Premises to Hefei Hualing will provide additional and stable income to Hefei Welling as the Factory Premises may otherwise be left vacant.

Taking into account the commercial benefits to the Group, the Directors (including the independent non-executive Directors) are of the view that the 2016 Tenancy Agreement was entered into on normal commercial terms and the terms of the 2016 Tenancy Agreement (including the proposed annual caps) contemplated thereunder are in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Li Feide is a director of the Company and Hefei Hualing. He was regarded as having a material interest in the transactions contemplated under the 2016 Tenancy Agreement and had abstained from voting in respect of the relevant Board resolutions passed at a Directors' meeting held for considering and approving the terms of the 2016 Tenancy Agreement. Save as disclosed above, none of the Directors has a material interest in the 2016 Tenancy Agreement.

LISTING RULES IMPLICATIONS

Hefei Hualing is a subsidiary of Midea and Midea is the controlling shareholder of the Company. Accordingly, Hefei Hualing is a connected person of the Company under the Listing Rules.

As the applicable percentage ratios exceed 0.1% but less than 5% on an annual basis, the transactions contemplated under the 2016 Tenancy Agreement constitute continuing connected transactions of the Company 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.

INFORMATION OF THE COMPANY, HEFEI WELLING AND HEFEI HUALING

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.

Hefei Welling, an indirect wholly-owned subsidiary of the Company incorporated in the PRC, is an investment holding company and the owner of the Factory Premises.

Hefei Hualing, a subsidiary of Midea incorporated in the PRC, is principally engaged in the business of manufacture and distribution of refrigerator and related products.

DEFINITIONS

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

“2013 Tenancy Agreement”	the tenancy agreement entered into between Hefei Welling and Hefei Hualing on 28 May 2013 in respect of the Factory Premises for a term from 1 June 2013 to 31 May 2016 (both days inclusive), which was a fully exempted continuing connected transaction as the then applicable percentage ratios were less than 0.1%
“2016 Tenancy Agreement”	the tenancy agreement entered into between Hefei Welling and Hefei Hualing on 30 May 2016 in respect of the Factory Premises for a term from 1 June 2016 to 31 May 2018 (both days inclusive)
“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)
“Director(s)”	the director(s) of the Company
“Factory Premises”	the properties, consisting of factories, dormitory, canteen, power distribution room, air compression station and the affiliated facilities and annexes, which are located at 合肥經濟技術開發區天都路與紫石路交口 (the junction of Tian Dou Road and Zi Shi Road of Hefei Economic and Technological Development Area*)
“Group”	the Company and its subsidiaries
“Hefei Hualing”	合肥華凌股份有限公司 (Hefei Hualing Co., Ltd.*), a limited liability company incorporated in the PRC and is a subsidiary of Midea
“Hefei Welling”	合肥威靈電機製造有限公司 (Hefei Welling Motor Manufacturing Co., Ltd.*), a limited liability company incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company

“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
“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
“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
“RMB”	Renminbi, the lawful currency of 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” and “subsidiary” shall have the meanings ascribed to them under the Listing Rules.

* The Chinese names of the PRC entities and address have been translated into English in this announcement for reference only. In the event of any discrepancies between the Chinese names of the PRC entities and/or address and their respective English translations, the Chinese version shall prevail.

On behalf of the Board
Welling Holding Limited
Xiang Weimin
Chairman

Hong Kong, 30 May 2016

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 Liqun and Mr. Li Feide

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