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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)**

#### **DISCLOSEABLE TRANSACTION – DISPOSAL OF SHANXI HUAXIANG AND LINKGO-HK**

##### **BACKGROUND**

The Board hereby announces that on 15 August 2016, GD Welling and Welling International (the indirect wholly-owned subsidiaries of the Company) entered into the Equity Interest Transfer Agreement and the Share Transfer Agreement with Huaxiang in relation to the PRC Disposal and the Hong Kong Disposal respectively.

Through the Disposals, the Company has agreed to sell its underlying equity interests in certain PRC operating entities, namely Huxing, Jingtai, Tongchuang and other subsidiaries of Shanxi Huaxiang, that are no longer closely related to the Group's recent objectives and strategic development, at the Aggregate Consideration.

##### **LISTING RULES IMPLICATIONS**

Pursuant to Rule 14.22 of the Listing Rules, the PRC Disposal and the Hong Kong Disposal will be aggregated as they involve the disposal of equity interests in the same underlying PRC operating entities, namely Huxing, Jingtai, Tongchuang and other subsidiaries of Shanxi Huaxiang, and were made within a 12-month period with the same counterparty. The relevant applicable percentage ratios exceed 5% but are less than 25%. Therefore, the Disposals constitute a discloseable transaction of the Company only and is subject to the notification and announcement requirements and no independent shareholders' approval is required for the purposes of the Listing Rules.

##### **BACKGROUND**

The Board hereby announces that on 15 August 2016, GD Welling and Welling International (the indirect wholly-owned subsidiaries of the Company) entered into the Equity Interest Transfer Agreement and the Share Transfer Agreement with Huaxiang in relation to the PRC Disposal and the Hong Kong Disposal respectively.

Principal terms of the Equity Interest Transfer Agreement and the Share Transfer Agreement are set out below:

### PRC Disposal

- Date : 15 August 2016
- Parties : (i) GD Welling as vendor; and  
(ii) Huaxiang as purchaser
- Assets being disposed of : Shanxi Huaxiang holds 60% of the equity interest in Huxing, 70% of the equity interest in Jingtai and 70% of the equity interest in Tongchuang. In addition to Huxing, Jingtai and Tongchuang, Shanxi Huaxiang also has other subsidiaries engaged in manufacture and sale of precision casting and components of automobile. Subject to the terms of the Equity Interest Transfer Agreement, GD Welling agreed to sell and Huaxiang agreed to purchase 49% of the equity interest in Shanxi Huaxiang.
- Consideration : RMB313,227,943.40 is payable by way of cash in the following manner:
- (i) within 7 days after entering into of the Equity Interest Transfer Agreement, Huaxiang shall pay RMB46,984,191.51, being 15% of the consideration, to GD Welling; and
- (ii) within 3 months after entering into of the Equity Interest Transfer Agreement, Huaxiang shall pay RMB266,243,751.89, being the balance of the consideration, to GD Welling. If Huaxiang pays the balance of the consideration after 1 month from the date of the Equity Interest Transfer Agreement, Huaxiang shall, starting from that date onwards, pay an additional interest at a rate of 6% per annum of the amount payable to GD Welling. If Huaxiang fails to pay the balance of the consideration and the said interest (if any) within 3 months from the date of the Equity Interest Transfer Agreement, GD Welling may unilaterally terminate the Equity Interest Transfer Agreement and forfeit such sum received from Huaxiang previously pursuant to the Equity Interest Transfer Agreement.
- Completion : GD Welling shall execute all the title documents to give effect to the PRC Disposal within 3 days after receiving full consideration (as described above).
- Others : If Shanxi Huaxiang offers products of the same quality and price compared to those offered by other third party suppliers, GD Welling shall purchase those products from Shanxi Huaxiang in preference over other third party suppliers.

As at 31 December 2015, Shanxi Huaxiang has an audited consolidated net asset value of approximately RMB594,256,000. Set out below are certain financial information extracted from the audited consolidated financial results of Shanxi Huaxiang for the years ended 31 December 2014 and 2015:

	<b>For the year ended 31 December 2014 (Audited) RMB'000 (approximately)</b>	<b>For the year ended 31 December 2015 (Audited) RMB'000 (approximately)</b>
Turnover	1,214,727	1,191,634
Net profit before taxation	85,958	103,086
Net profit after taxation	70,039	87,963

## Hong Kong Disposal

Date : 15 August 2016

Parties : (i) Welling International as vendor; and  
(ii) Huaxiang or its nominee as purchaser

Huaxiang represented that its nominee (if any) and their respective ultimate beneficial owners (in the case of a corporation) are third parties independent of the Company and its connected persons and any of their respective associates.

Assets being disposed of : Linkgo-HK is an investment holding company only whose sole assets are 40% of the equity interest in Huxing, 30% of the equity interest in Jingtai and 30% of the equity interest in Tongchuang. Subject to the terms of the Share Transfer Agreement, Welling International agreed to sell and Huaxiang agreed to purchase 98 shares of Linkgo-HK, representing 49% of the issued shares of Linkgo-HK.

Consideration : Huaxiang shall pay HK\$98 to Welling International within 3 days after the completion of share transfer.

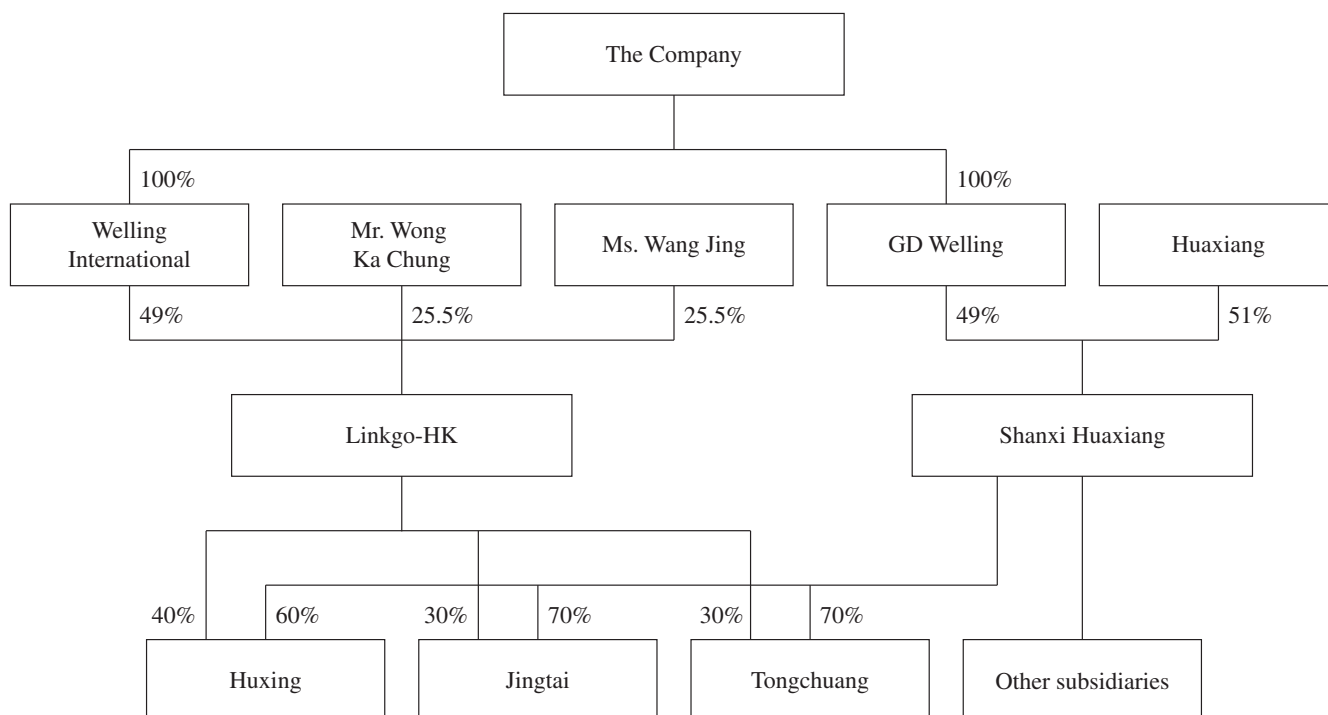
Others : As at 31 December 2015, Linkgo-HK has an audited net asset value of approximately HK\$31,706,000. Set out below are certain financial information extracted from the audited financial results of Linkgo-HK for the years ended 31 December 2014 and 2015:

	<b>For the year ended 31 December 2014 (Audited) HK\$'000 (approximately)</b>	<b>For the year ended 31 December 2015 (Audited) HK\$'000 (approximately)</b>
Turnover <sup>#</sup>	15,773	–
Net profit/(loss) before taxation	7,544	(4,178)
Net profit/(loss) after taxation	7,544	(4,178)

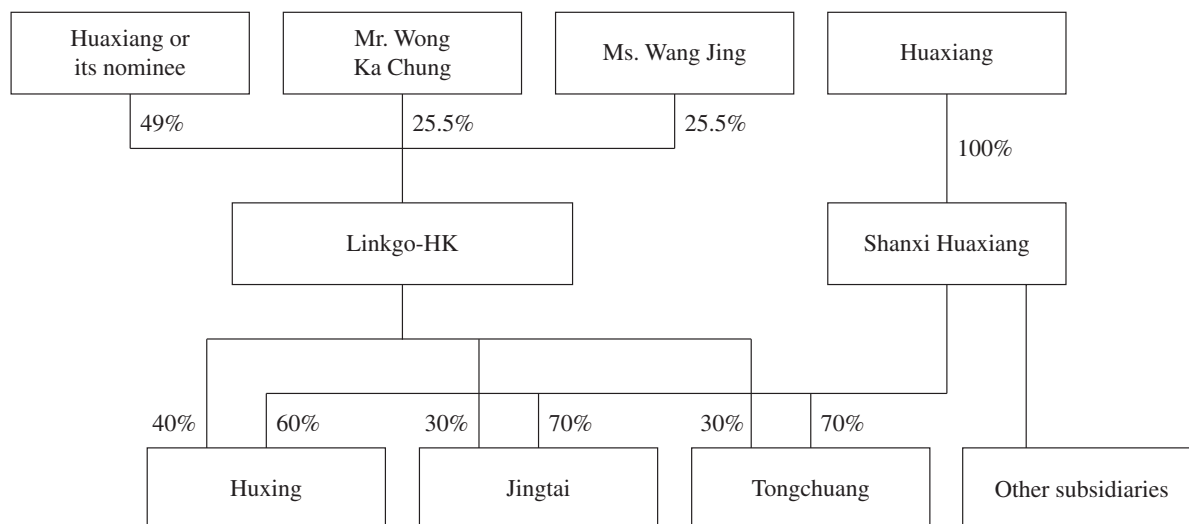
<sup>#</sup> The turnover is derived from dividend declared by an associate of Linkgo-HK for the year ended 31 December 2014. Linkgo-HK recorded no turnover for the year ended 31 December 2015 as no dividend had been declared by its associates for that year.

Set out below is a shareholding structure chart of the companies to be disposed of under the Equity Interest Transfer Agreement and the Share Transfer Agreement.

**Immediately before signing of the Equity Interest Transfer Agreement and the Share Transfer Agreement**



**Immediately after completion of the Disposals**



## **FINANCIAL IMPACT OF THE DISPOSALS**

It is expected that the Group will record a gain of approximately RMB7,300,000 (before tax and any consideration adjustments) as a result of the Disposals, being the difference between the Aggregate Consideration and the carrying value of the disposed assets as at 30 June 2016 under the Equity Interest Transfer Agreement and the Share Transfer Agreement. The actual gain arising from the Disposals are subject to audit.

Upon completion of the Disposals, each of Shanxi Huaxiang and Linkgo-HK will cease to be an associate of the Group.

The net proceeds from the Disposals are intended to be used as general working capital of the Group and for its future business development.

## **REASONS FOR THE DISPOSALS**

Shanxi Huaxiang is principally engaged in manufacture and sale of precision casting mainly for air-conditioning compressor, refrigerator compressor and components of automobile in the PRC through its operating subsidiaries including but not limited to Huxing, Jingtai and Tongchuang. Linkgo-HK is an investment holding company holding 40%, 30% and 30% of the equity interests in Huxing, Jingtai and Tongchuang respectively.

Since the investment in Shanxi Huaxiang and Linkgo-HK are no longer closely related to the Group's recent objectives and strategic development, the Company has decided to realise the Group's investment in Shanxi Huaxiang and Linkgo-HK through the Disposals. In addition, the Group will also be able to focus on its core business of manufacture and distribution of motors and electronic and electric components for electrical household appliances, and to capture other investment opportunities as and when they arise.

The Aggregate Consideration was determined among GD Welling, Welling International and Huaxiang after arm's length negotiations with reference to, among other things, (i) the audited net asset value of Shanxi Huaxiang and Linkgo-HK as at 31 December 2015 respectively; (ii) the unaudited net profit of approximately RMB33,682,000 of Shanxi Huaxiang for the period ended 30 June 2016; and (iii) the factors set out in the section headed "Reasons for the Disposals" in this announcement.

In view of the above, the Directors consider that the terms of the Equity Interest Transfer Agreement and the Share Transfer Agreement, when considered as a whole, are fair and reasonable and on normal commercial terms and are in the interests of the Group and the shareholders of the Company as a whole.

## **LISTING RULES IMPLICATIONS**

Pursuant to Rule 14.22 of the Listing Rules, the PRC Disposal and the Hong Kong Disposal will be aggregated as they involve the disposal of equity interests in the same underlying PRC operating entities, namely Huxing, Jingtai, Tongchuang and other subsidiaries of Shanxi Huaxiang, and were made within a 12-month period with the same counterparty. The relevant applicable percentage ratios exceed 5% but are less than 25%. Therefore, the Disposals constitute a discloseable transaction of the Company only and is subject to the notification and announcement requirements and no independent shareholders' approval is required for the purposes of the Listing Rules.

None of the Directors has a material interest in the Equity Interest Transfer Agreement and the Share Transfer Agreement.

## GENERAL

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

GD Welling, an indirect wholly-owned subsidiary of the Company incorporated in the PRC, is principally engaged in the business of manufacture and distribution of motors and electronic and electric components for electrical household appliances.

Welling International, an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong, and is a trading and investment holding company.

Huaxiang is principally engaged in the distribution of various raw materials required for the casting process, steels and products from the pre-treatment of steelmaking including steel, pig iron, concentrate fines, coke, steel billet, plate materials, moulding materials, tubular materials, cast iron, cast steel, head coal, ores, non-ferrous metals, iron casting and rental of self-owned premises.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Huaxiang and its ultimate beneficial owners are third parties independent of the Company and its connected persons and any of their respective associates.

## DEFINITIONS

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

“Aggregate Consideration”	the aggregate consideration for the Disposals, being RMB313,227,943.40 and HK\$98
“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
“Disposals”	the PRC Disposal and the Hong Kong Disposal
“Equity Interest Transfer Agreement”	山西華翔集團有限公司股權轉讓合同 (the equity interest transfer agreement of Shanxi Huaxiang Group Co., Ltd.*) dated 15 August 2016 entered into between GD Welling and Huaxiang for the transfer of 49% of the equity interest in Shanxi Huaxiang
“GD Welling”	廣東威靈電機製造有限公司 (Guangdong Welling Motor Manufacturing Co., Ltd.*), a limited company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Disposal”	the disposal of 98 shares of Linkgo-HK (representing 49% of the issued shares of Linkgo-HK) pursuant to the Share Transfer Agreement
“Huaxiang”	山西臨汾華翔實業有限公司 (Shanxi Linfen Huaxiang Shiye Co., Ltd.*), a limited company incorporated under the laws of the PRC
“Huxing”	山西華翔互興冶鑄有限公司 (Shanxi Huaxiang Huxing Yezhu Co., Ltd.*), a sino-foreign equity joint venture incorporated under the laws of the PRC
“Jingtai”	山西經泰機械鑄造有限公司 (Shanxi Jingtai Machinery Zhuzao Co., Ltd.*), a sino-foreign equity joint venture incorporated under the laws of the PRC
“Linkgo-HK”	Linkgo-HK Limited (香港林柯有限公司), a company incorporated under the laws of Hong Kong. As at the date of this announcement, it is owned as to 25.5% by Ms. Wang Jing (the daughter of Mr. Wang Chunxiang, the controlling shareholder of Huaxiang), 25.5% by Mr. Wong Ka Chung (the spouse of Ms. Wang Jing) and 49% by Welling International respectively, and is an associate of the Group
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“PRC Disposal”	the disposal of 49% of the equity interest in Shanxi Huaxiang pursuant to the Equity Interest Transfer Agreement
“Shanxi Huaxiang”	山西華翔集團有限公司 (Shanxi Huaxiang Group Co., Ltd.*), a limited company incorporated under the laws of the PRC. As at the date of this announcement, it is owned as to 51% by Huaxiang and 49% by GD Welling, and is an associate of the Group
“Share Transfer Agreement”	香港林柯有限公司股份轉讓合同 (the share transfer agreement of Linkgo-HK Limited*) dated 15 August 2016 entered into between Welling International and Huaxiang for the transfer of 98 shares of Linkgo-HK (representing 49% of the issued shares of Linkgo-HK)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tongchuang”	山西華翔同創鑄造有限公司 (Shanxi Huaxiang Tongchuang Zhuzao Co., Ltd.*), a sino-foreign equity joint venture incorporated under the laws of the PRC
“Welling International”	Welling International Hong Kong Limited, a limited company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

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

\* The Chinese names of the PRC entities and agreements 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 agreements and their respective English translations, the Chinese version shall prevail.

On behalf of the Board  
**Welling Holding Limited**  
**Xiang Weimin**  
Chairman

Hong Kong, 15 August 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, Mr. Xiao Mingguang and Mr. Li Feide

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