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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)

CONNECTED TRANSACTION SALE OF EQUIPMENT INVOLVED IN THE REFRIGERATOR COMPRESSOR MOTOR BUSINESS

EQUIPMENT TRANSFER AGREEMENT

The Board announces that on 31 March 2017, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Equipment Transfer Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Equipment involved in the refrigerator compressor motor business of the Group at an aggregate consideration of RMB32,852,400.

LISTING RULE IMPLICATIONS

As at the date of this announcement, the Purchaser is a company directly owned as to 95% by Midea, the controlling shareholder of the Company. Accordingly, the Purchaser is considered as a connected person of the Company pursuant to Chapter 14A of the Listing Rules and the transactions contemplated under the Equipment Transfer Agreement constitute a connected transaction for the Company under the Listing Rules.

As the applicable percentage ratios in respect of the Equipment Transfer Agreement exceed 0.1% but are less than 5%, the entering into of the Equipment Transfer Agreement is subject to the reporting and announcement requirements but is exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

EQUIPMENT TRANSFER AGREEMENT

The principal terms of the Equipment Transfer Agreement are set out as follows:

Date

31 March 2017

Parties

- (i) the Vendor (an indirect wholly-owned subsidiary of the Company); and
- (ii) the Purchaser.

Subject Matter

Pursuant to the Equipment Transfer Agreement, the Vendor agreed to sell, and the Purchaser agreed to purchase the Equipment at an aggregate consideration of RMB32,852,400.

The Equipment

The Equipment to be transferred shall comprise of a total of 162 devices, including controlled atmosphere heat treatment machines, coil winding machines and other equipment located at the Group's facility in Wuhu, the PRC and as more specifically set out in the Equipment Transfer Agreement, all of which were used in the refrigerator compressor motor business of the Group. The original acquisition cost of the Equipment was approximately RMB57,721,000 and the net book value of the Equipment as at 10 March 2017 was approximately RMB30,430,000.

According to the valuation report prepared by an independent professional valuer, the appraised value of the Equipment was approximately RMB32,852,400.

The segmental results of the refrigerator compressor motor business of the Group attributable to the Equipment which is subject to the disposal and as calculated on the basis of the audited financial statements of the relevant subsidiaries of the Company for the year ended 31 December 2015 and the unaudited financial statements of the relevant subsidiaries of the Company for the year ended 31 December 2016 (taking into account (i) the relevant cost of goods sold and transportation costs; and (ii) the administrative expenses and other expenses involved, each calculated on a pro rata basis as attributable to the Equipment) are summarised as follows:

	For the year ended 31 December 2015 (audited) RMB'000	For the year ended 31 December 2016 (unaudited) RMB'000
Net profit before taxation	2,974	1,460
Net profit after taxation	2,813	1,027

Consideration

The consideration payable by the Purchaser to the Vendor for the purchase of the Equipment pursuant to the Equipment Transfer Agreement shall be RMB32,852,400 (exclusive of tax), which shall be payable by the Purchaser in cash or by way of bank deposit into the designated account of the Vendor within 30 days from the date of receipt of the invoice by the Purchaser upon the delivery of the Equipment pursuant to the Equipment Transfer Agreement.

The consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the valuation of the Equipment as assessed by the independent professional valuer in the amount of RMB32,852,400. The Directors (including the independent non-executive Directors) consider that the consideration is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Delivery

The Equipment shall be demolished and collected by the Purchaser at the facility to which the Equipment are located in batches on or before 31 October 2017.

Expected gain on the sale of the Equipment

The expected gain on the sale of the Equipment, being approximately RMB2,422,000, is calculated based on the difference between the consideration for the disposal of the Equipment pursuant to the Equipment Transfer Agreement and its net book value. The actual gain as a result of the disposal of the Equipment to be recorded by the Group is subject to the final audit to be performed by its auditor.

The Directors intend to apply the proceeds in connection with the sale of the Equipment as general working capital of the Group.

INFORMATION OF THE PARTIES

The Vendor is an indirect wholly-owned subsidiary of the Company which is principally engaged in the manufacturing and trading of motors.

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.

The Purchaser is a company directly owned as to 95% by Midea, and is principally engaged in the development, design and production of refrigerator compressor devices and their parts, and the sale, provision of installation and after-sales services of its appliances.

Midea is the controlling shareholder of the Company. It is an investment holding company which is principally 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.

REASONS AND BENEFIT FOR THE SALE OF THE EQUIPMENT

Based on the recent decline in the profitability for refrigerator compressor motors, the Group intends to gradually scale down the refrigerator compressor motor business segment in order to devote more of its resources on other business segments of the Group. The Directors therefore consider that the sale of the Equipment is in line with the Group's overall business strategy, and presents a good opportunity for the Group to realise its assets which the Group may no longer require for its future business development needs. The Group has been selling refrigerator compressor motor products (manufactured by the Equipment) to the Purchaser. Immediately after the sale of the Equipment, the Group shall retain a small portion of equipment involved in the refrigerator compressor motor business similar to the Equipment under the Equipment Transfer Agreement in order to meet existing orders from other independent customers.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Equipment Transfer Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Mr. Xiang Weimin and Mr. Xiao Mingguang are directors of the Company and the Purchaser. Mr. Li Feide is a director of the Company and Midea. Each of Mr. Xiang Weimin, Mr. Xiao Mingguang and Mr. Li Feide therefore regarded as having a material interest in the transactions contemplated under the Equipment Transfer Agreement and had therefore abstained from voting in respect of the relevant Board resolutions to approve the terms of the Equipment Transfer Agreement. Save as disclosed above, as at the date of this announcement, none of the Directors is considered to have a material interest in the Equipment Transfer Agreement. As such, save for Mr. Xiang Weimin, Mr. Xiao Mingguang and Mr. Li Feide, no other Director is required to abstain from voting on the relevant Board resolutions to approve the Equipment Transfer Agreement and the transactions contemplated thereunder.

LISTING RULE IMPLICATIONS

As at the date of this announcement, the Purchaser is a company directly owned as to 95% by Midea, the controlling shareholder of the Company. Accordingly, the Purchaser is considered as a connected person of the Company pursuant to Chapter 14A of the Listing Rules and the transactions contemplated under the Equipment Transfer Agreement constitute a connected transaction for the Company under the Listing Rules.

As the applicable percentage ratios in respect of the Equipment Transfer Agreement exceed 0.1% but are less than 5%, the entering into of the Equipment Transfer Agreement is subject to the reporting and announcement requirements but is exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equipment”	a total of 162 devices as specifically set out in the Equipment Transfer Agreement, all of which are used in the refrigerator compressor motor business of the Group
“Equipment Transfer Agreement”	the agreement entered into between the Vendor and the Purchaser on 31 March 2017 in relation to the sale of the Equipment
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 68.63% of the issued share capital of the Company as at the date of this announcement
“PRC”	the People’s Republic of China
“Purchaser”	安徽美芝製冷設備有限公司(Anhui GMCC Refrigeration Equipment Co., Ltd.*), a company incorporated in the PRC with limited liability and a company directly owned as to 95% by Midea

“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
“Vendor”	威靈(蕪湖)電機製造有限公司 (Welling (Wuhu) Motor Manufacturing Co., Ltd.*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

* The English name is a translation of its Chinese name and is included in this announcement for identification purposes only.

On behalf of the Board
Welling Holding Limited
Xiang Weimin
Chairman

Hong Kong, 31 March 2017

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