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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)

MAJOR AND CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS – 2018 FINANCIAL SERVICES FRAMEWORK AGREEMENT

Reference is made to the Announcements and Circular in respect of the 2015 Financial Services Framework Agreement.

2018 FINANCIAL SERVICES FRAMEWORK AGREEMENT

Given that the 2015 Financial Services Framework Agreement will expire on 31 December 2017, on 28 April 2017, the Company and the Finance Company entered into the 2018 Financial Services Framework Agreement, pursuant to which the parties thereto agreed to set the New Annual Caps in respect of the Core Financial Services for the three years ending 31 December 2020. The 2018 Financial Services Framework Agreement shall, conditional upon approval by the Independent Shareholders at the EGM, be effective from 1 January 2018.

LISTING RULES IMPLICATIONS

Continuing Connected Transactions – the 2018 Financial Services Framework Agreement

The Finance Company is a subsidiary of Midea (the controlling shareholder of the Company) and is owned as to 5% by GD Welling and 95% by Midea. The Finance Company is therefore a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the New Annual Caps as set out in the 2018 Financial Services Framework Agreement, on an annual basis, exceed 5%, the 2018 Financial Services Framework Agreement and the New Annual Caps contemplated thereunder constitute continuing connected transactions for the Company and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Major and connected transaction – deposit services under the 2018 Financial Services Framework Agreement

Further, the provision of deposit services by the Finance Company to the Group under the 2018 Financial Services Framework Agreement also constitutes a transaction under Rule 14.04(1)(e) of the Listing Rules and as one of the applicable percentage ratios in respect thereof is more than 100%, the provision of deposit services by the Finance Company to the Group under the 2018 Financial Services Framework Agreement is not a very substantial acquisition but constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, it would be subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As at the date of this announcement, the Finance Company is a subsidiary of Midea (the controlling shareholder of the Company) and is owned as to 5% by GD Welling and 95% by Midea, the Finance Company is therefore a connected person of the Company for the purpose of Chapter 14A of the Listing Rules, and the provision of deposit services by the Finance Company to the Group under the 2018 Financial Services Framework Agreement also constitutes a connected transaction for the Company, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Exempted continuing connected transactions – Other Financial Services under the 2018 Financial Services Framework Agreement

Taking into account of the relevant historical figures, it is also expected that all the applicable percentage ratios calculated in respect of the annual fees and charges payable for the Other Financial Services by the Group to the Finance Company under the 2018 Financial Services Framework Agreement will not exceed 0.1%. Accordingly, such transactions are exempt from all reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Group will comply with the applicable connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

GENERAL

The independent non-executive Directors will express their views after receiving advice from the Independent Financial Adviser as to whether the terms of the 2018 Financial Services Framework Agreement and the transactions contemplated thereunder are entered into on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In addition, the proposed New Annual Caps contemplated under the 2018 Financial Services Framework Agreement are determined by the Directors (excluding the independent non-executive Directors) after due and careful consideration and on a fair and reasonable basis. The independent non-executive Directors will express their view after receiving advice from the Independent Financial Adviser as to whether the pricing principles and procedures used in determining the services fees under the 2018 Financial Services Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Independent Shareholders.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the 2018 Financial Services Framework Agreement and the transactions contemplated thereunder are entered into on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Optima Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2018 Financial Services Framework Agreement and the transactions contemplated thereunder in accordance with the Listing Rules. Such appointment has been approved by the Independent Board Committee. Midea is the controlling Shareholder of the Company holding approximately 68.63% of the issued share capital of the Company and is a party interested in the 2018 Financial Services Framework Agreement. Each of Midea and its associates will abstain from voting on the resolutions in relation to the 2018 Financial Services Framework Agreement and the New Annual Caps contemplated thereunder at the EGM.

Given Mr. Xiao Mingguang is a director of the Company and the Finance Company and Mr. Li Feide is a director of the Company and Midea, they may be regarded as having a material interest in the transactions contemplated under the 2018 Financial Services Framework Agreement and the New Annual Caps contemplated thereunder, 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 2018 Financial Services Framework Agreement including the New Annual Caps contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the 2018 Financial Services Framework Agreement and the New Annual Caps contemplated thereunder. The Directors (excluding all independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) are of the view that the terms of the 2018 Financial Services Framework Agreement are entered into on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Shareholders as a whole.

A circular of the Company containing, among others, (i) the 2018 Financial Services Framework Agreement and the transactions contemplated thereunder; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the EGM; and (v) other information as required under the Listing Rules will be sent to the Shareholders on 23 May 2017.

BACKGROUND

Reference is made to the Announcements and Circular in respect of the 2015 Financial Services Framework Agreement.

Given that the 2015 Financial Services Framework Agreement will expire on 31 December 2017, on 28 April 2017, the Company and the Finance Company entered into the 2018 Financial Services Framework Agreement, pursuant to which the parties thereto agreed to set the New Annual Caps in respect of the Core Financial Services for the three years ending 31 December 2020. The 2018 Financial Services Framework Agreement shall, conditional upon approval by the Independent Shareholders at the EGM, be effective from 1 January 2018.

2018 FINANCIAL SERVICES FRAMEWORK AGREEMENT

Date: 28 April 2017

Parties: The Company and the Finance Company

Term: Subject to the approval from the Independent Shareholders being obtained at the EGM, the 2018 Financial Service Framework Agreement shall be for a term of three years commencing from 1 January 2018 and ending 31 December 2020.

Principal Terms:

The Finance Company shall provide the following financial services to the Group on normal commercial terms not less favourable than those available to the Group from independent third parties, in accordance with the following principles:

(a) Deposit

The Group may from time to time deposit money with the Finance Company. The Finance Company shall accept deposits from the Group at an interest rate (i) not lower than the benchmark interest rate set by the PBOC for such types of deposit (the benchmark interest rate for savings deposit set by the PBOC is 0.35% per annum as at the date of this announcement); and (ii) not lower than the interest rate offered by other major and independent PRC commercial banks for such types of deposit.

(b) Loan

The Group may from time to time request the Finance Company to provide loan and financing services to it. The Finance Company shall provide such loan and financing services to the Group at an interest rate (i) not higher than the benchmark interest rate set by the PBOC for such types of loan and financing services (the benchmark interest rate for short-term loan set by the PBOC is 4.35% per annum as at the date of this announcement); and (ii) not higher than the interest rate offered by other major and independent PRC commercial banks for such types of loan and financing services. If the Group is required to provide security interest over its assets for the loan and financing services to be granted, the fair value of the security interest shall not be higher than that of the other major and independent PRC commercial banks.

(c) Bills Discounting

The Group may from time to time request the Finance Company to provide bills discounting services to it. The Finance Company shall pay the face value of the bills presented by the Group net of the interests calculated by the discount rate not higher than that offered by other major and independent PRC commercial banks for such types of services.

(d) Bills Acceptance

The Group may from time to time request the Finance Company to provide bills acceptance services to it. The Finance Company shall guarantee the payment of bills issued by the Group, which in return shall pay a service fee at a rate not higher than the rate charged by other major and independent PRC commercial banks for such types of services.

(e) Foreign Exchange

The Group may from time to time request the Finance Company to provide foreign exchange services to it. The Finance Company shall buy or sell foreign currencies from or to the Group at the relevant exchange rates not less favourable than those rates available in other major and independent PRC commercial banks for such types of services.

(f) Other Financial Services

The Group may from time to time request the Finance Company to provide Other Financial Services. The fees charged by the Finance Company for the provision of the Other Financial Services shall be at a rate (i) not higher than the standard charging rate set by the PBOC for such types of services (if applicable); and (ii) not higher than the rate charged by other major and independent PRC commercial banks for such types of services.

Existing Annual Caps and Historical Figures

The table below sets out the existing annual caps in respect of each of the Core Financial Services contemplated under the 2015 Financial Services Framework Agreement for the three years ending 31 December 2017 as approved by the then independent Shareholders at the 2014 EGM and the historical figures of each of such Core Financial Services provided by the Finance Company to the PRC subsidiaries of the Company for the two years ended 31 December 2016 and the period ended 31 March 2017:

	Existing annual caps			Historical figures		
	for the year ended		for the	for the year ended		for the
	31 December	31 December	year ending	31 December	31 December	period ended
	2015	2016	2017	2015	2016	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Deposit (daily maximum outstanding balances including accrued interest and handling fee)	2,762,600	3,581,110	4,479,340	1,659,676	1,238,351	1,160,372
Loan (daily maximum outstanding balances including accrued interest and handling fee)	1,286,380	1,543,650	1,852,382	–	–	–
Bills discounting (aggregate face value of the bills discounted)	1,406,410	1,687,690	2,025,230	1,049,434	300,315	263,473
Bills acceptance (aggregate face value of the bills accepted)	3,979,910	4,775,890	5,731,060	2,672,717	1,798,181	530,689
Foreign exchange	3,046,540	3,655,840	4,387,010	417,815	255,775	218,327

As at the date of this announcement, the annual caps under the 2015 Financial Services Framework Agreement for the three financial years ending 31 December 2017 have not been exceeded.

In respect of the provision of Other Financial Services, all the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules in respect of the fees and charges paid by the PRC subsidiaries of the Company under the 2015 Financial Services Framework Agreement for each of the two years ended 31 December 2016 did not exceed 0.1%.

New Annual Caps

The table below sets out the proposed New Annual Caps in respect of each of the Core Financial Services for the three years ending 31 December 2020:

	New Annual Caps for the year ending 31 December		
	2018 (RMB'000)	2019 (RMB'000)	2020 (RMB'000)
Deposit (daily maximum outstanding balances including accrued interest and handling fee)	3,882,430	4,702,660	5,622,550
Loan (daily maximum outstanding balances including accrued interest and handling fee)	606,040	709,070	829,610
Bills discounting (aggregate face value of the bills discounted)	1,443,610	1,689,030	1,976,160
Bills acceptance (aggregate face value of the bills accepted)	3,453,350	4,040,420	4,727,290
Foreign exchange	3,110,150	2,853,540	3,338,650

In arriving at the proposed New Annual Caps, the following factors have been considered by the Directors:

(a) Deposit

The proposed New Annual Caps for deposit services were determined by reference to (i) the aggregate amount of the highest historical deposit amount of the Group and the amount of cash deposits having been invested in the wealth management products for the year ended 31 December 2016; (ii) the expected increase in the deposit amount for the four years ending 31 December 2020 at an anticipated growth rate equivalent to the Historical Sales CAGR plus 5% buffer catering for the potential price fluctuation arising from inflation or price surge of raw materials; and (iii) the estimated undistributed profits for the four years ending 31 December 2020, derived from the net profit of the Group for the year ended 31 December 2016 net of the dividend payout in the same year, with an estimated annual growth rate of approximately 17%. The Group expects that such estimated undistributed profits would be deposited in the Finance Company for the benefits of economies of scale resulting from the centralisation of management of funds, and thus it has taken into account the amount of undistributed profits when determining the New Annual Caps for the deposit service.

(b) Loan

The proposed New Annual Caps for loan services were determined by reference to (i) the average of the highest historical loan amount for the seven years ended 31 December 2016 (including those provided by the Finance Company and other major and independent PRC commercial banks, and having considered that the Group would like to obtain a buffer for the coming years notwithstanding that it had not obtained any loan from the Finance Company in the past two financial years); (ii) the expected increase in the loan amount for the four years ending 31 December 2020 at an anticipated growth rate equivalent to the Historical Sales CAGR plus 5% buffer catering for the potential price fluctuation arising from inflation or price surge of raw materials; and (iii) the Group's flexibility in catering for any possible projects not yet identified at the moment.

(c) Bills Discounting

The proposed New Annual Caps for bills discounting services were determined by reference to (i) the average of the proportion of the Group's annual bills discounting amount (including those provided by the Finance Company and other major and independent PRC commercial banks) to the domestic sales of the Group for the seven years ended 31 December 2016 of approximately 17%; (ii) the expected increase in the bills discounting amount for the four years ending 31 December 2020 at an anticipated growth rate equivalent to the Historical Sales CAGR plus 5% buffer catering for the potential price fluctuation arising from inflation or price surge of raw materials; and (iii) the expected increase in demand for the bills discounting services for funding the investments in the wealth management products as a result of the change in treasury policy of the Group.

(d) Bills Acceptance

The proposed New Annual Caps for bills acceptance services were determined by reference to (i) the average of the proportion of the Group's annual bills acceptance amount (including those provided by the Finance Company and other major and independent PRC commercial banks) to the total sales of the Group for the seven years ended 31 December 2016 of approximately 37%; and (ii) the expected increase in the bills acceptance amount for the four years ending 31 December 2020 at an anticipated growth rate equivalent to the Historical Sales CAGR plus 5% buffer catering for the potential price fluctuation arising from inflation or price surge of raw materials.

(e) Foreign Exchange

The proposed New Annual Caps for foreign exchange services were determined by reference to (i) the average of the proportion of the Group's annual foreign exchange transaction amount (including those provided by the Finance Company and other major and independent PRC commercial banks) to the overseas sales of the Group for the six years ended 31 December 2015 ^(note 1) of approximately 88%; (ii) the additional demand for the foreign exchange services in the coming years given the Group had accumulated certain amount of foreign currencies in the past few financial years due to the depreciation of RMB; (iii) the expected increase in the foreign exchange transaction amount for the four years ending 31 December 2020 at an anticipated growth rate equivalent to the Historical Sales CAGR plus 5% buffer catering for the potential price fluctuation arising from inflation or price surge of raw materials; and (iv) the possible shift from other major and independent PRC commercial banks to the Finance Company as to the foreign exchange services subject to the terms to be offered by the Finance Company.

Note 1: The annual transaction amount of the foreign exchange services for the year ended 31 December 2016 was excluded because of the volatility and depreciation of the value of RMB in that year. Given the overseas sales of the Group were mainly denominated in other foreign currencies, the Group kept the foreign currencies in its reserves for value appreciation rather than exchanging into RMB, resulting in an exceptionally lower transaction volume in foreign exchange services for the year ended 31 December 2016.

PRICING POLICY AND INTERNAL CONTROL PROCEDURES

The Company takes the following review procedures and approval process against the following assessment criteria when obtaining the Core Financial Services from the Finance Company:

Procedures

- (a) Where a need for the Core Financial Services arises, the designated staff(s) of the Group would obtain the rates and terms offered by the Finance Company and not less than two major and independent PRC commercial banks for comparison against the assessment criteria set forth below;
- (b) If after comparison, the designated staff(s) confirmed that the rates and terms provided by the Finance Company are no less favourable than those offered by other major and independent PRC commercial banks, they would submit the application to the Group's Treasury Officer/Accounting Manager (where applicable) for review; and
- (c) After review by the Group's Treasury Officer/Accounting Manager (where applicable), the application, if assessed to be in compliance with the terms set out in the 2018 Financial Services Framework Agreement, would be further submitted to the Group's Chief Financial Officer for final approval.

Assessment Criteria

- Deposit:** the designated staff(s) would compare the interest rate offered by the Finance Company with those offered by the major commercial banks in the PRC, and the Group would only obtain deposit services from the Finance Company if the interest rate offered by the Finance Company is higher than those offered by the major commercial banks in the PRC.
- Loan:** the designated staff(s) would compare the interest rate offered by the Finance Company with those offered by the major commercial banks in the PRC, and the Group would only obtain loan services from the Finance Company if the interest rate offered by the Finance Company is lower than those offered by the major commercial banks in the PRC.
- Bills discounting:** the designated staff(s) would compare the bill discount rate offered by the Finance Company with those offered by the major commercial banks in the PRC, and the Group would only obtain bills discounting services from the Finance Company if the bill discount rate offered by the Finance Company is lower than those offered by the major commercial banks in the PRC.
- Bills acceptance:** the designated staff(s) would compare the service fee to be required by the Finance Company with those offered by the major commercial banks in the PRC, and the Group would only obtain bills acceptance services from the Finance Company if the service fee offered by the Finance Company is lower than those offered by the major commercial banks in the PRC.

Foreign exchange: the designated staff(s) would compare the foreign exchange rate offered by the Finance Company with those offered by the major commercial banks in the PRC, and the Group would only obtain foreign exchange services from the Finance Company if the foreign exchange rate offered by the Finance Company is more favourable than those offered by the major commercial banks in the PRC.

The relevant personnel and management of the Group will also conduct regular checks at least once a year to review and assess whether the transactions contemplated under the relevant Core Financial Services from the Finance Company are conducted in accordance with the terms of the 2018 Financial Services Framework Agreement and will also regularly update the applicable market rate for the purpose of considering if the relevant rate charged for a specific Core Financial Service is fair and reasonable and in accordance with the aforesaid pricing policy. Further, the independent non-executive Directors would continue to review the transactions contemplated under the 2018 Financial Services Framework Agreement and its auditor would also conduct an annual review on the pricing terms and annual caps thereof. Since the Company has established adequate and appropriate internal control procedures to review the transactions, the Directors consider that such methods and procedures can ensure and safeguard the transactions contemplated under the 2018 Financial Services Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2018 FINANCIAL SERVICES FRAMEWORK AGREEMENT

The Finance Company is a non-bank financial company approved and regulated by the PBOC and CBRC and is engaged in providing various financial services to its members and their subsidiaries in compliance with the rules and other operational requirements set by these regulatory authorities. The Finance Company has established its system of internal control and risk management and continued to implement the corporate governance guidelines in accordance with the requirements of the CBRC.

The Finance Company can centralise the management of funds among its member companies which will result in reduction of funding costs and enhancing the efficiency of employment of funds between those member companies. The Finance Company provides financing services to its member companies and the dealers who have continuing business relationship with Midea Group and is therefore exposed to a lower level of capital risk.

As the Finance Company has a thorough understanding of the funding requirements for the operations and development of its member companies, this enables the Finance Company to respond quickly and provide more efficient funding support and financing services to the Group. In addition, the Finance Company could provide tailor-made financing service solution to its member companies within regulatory framework.

Given that the interest rates and other terms of the Core Financial Services and Other Financial Services available for the Group provided by the Finance Company shall be no less favourable than those offered by other major and independent PRC commercial banks, the Group can benefit from lower cost of financing and other financial service charges.

The entering into of the 2018 Financial Services Framework Agreement does not preclude the Group from using other major and independent PRC commercial banks. The Group still has the discretion in selecting other major and independent PRC commercial banks as its financial services provider as it thinks fit and appropriate for the benefits of the Group.

Taking into account that (i) the Finance Company will provide financial services to entities related to Midea and has established its system of internal control and risk management and continued to implement the corporate governance guidelines in accordance with the requirements of the CBRC; and (ii) Midea has undertaken to financially support the Finance Company in the event of financial difficulties, the Group will be exposed to a lower level of credit risk than other PRC commercial banks with customers of other unrelated entities, the measures in particular the undertaking given by Midea are adequate to control the credit risks of the deposits placed with the Finance Company.

LISTING RULES IMPLICATIONS

Continuing Connected Transactions – the 2018 Financial Services Framework Agreement

The Finance Company is a subsidiary of Midea (the controlling shareholder of the Company) and is owned as to 5% by GD Welling and 95% by Midea. The Finance Company is therefore a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the New Annual Caps as set out in the 2018 Financial Services Framework Agreement, on an annual basis, exceed 5%, the 2018 Financial Services Framework Agreement and the New Annual Caps contemplated thereunder constitute continuing connected transactions for the Company and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Major and connected transaction – deposit services under the 2018 Financial Services Framework Agreement

Further, the provision of deposit services by the Finance Company to the Group under the 2018 Financial Services Framework Agreement also constitutes a transaction under Rule 14.04(1)(e) of the Listing Rules and as one of the applicable percentage ratios in respect thereof is more than 100%, the provision of deposit services by the Finance Company to the Group under the 2018 Financial Services Framework Agreement is not a very substantial acquisition but constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, it would be subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As at the date of this announcement, the Finance Company is a subsidiary of Midea (the controlling shareholder of the Company) and is owned as to 5% by GD Welling and 95% by Midea, the Finance Company is therefore a connected person of the Company for the purpose of Chapter 14A of the Listing Rules, and the provision of deposit services by the Finance Company to the Group under the 2018 Financial Services Framework Agreement also constitutes a connected transaction for the Company, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Exempted continuing connected transactions – Other Financial Services under the 2018 Financial Services Framework Agreement

Taking into account of the relevant historical figures, it is also expected that all the applicable percentage ratios calculated in respect of the annual fees and charges payable for the Other Financial Services by the Group to the Finance Company under the 2018 Financial Services Framework Agreement will not exceed 0.1%. Accordingly, such transactions are exempt from all reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Group will comply with the applicable connected transaction regulatory requirements under 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, distribution and selling of motors and electronic and electric components for electrical household appliances in the PRC and overseas.

INFORMATION ABOUT THE FINANCE COMPANY

The Finance Company, a limited liability company established in the PRC, is owned as to 5% by GD Welling and 95% by Midea. The Finance Company is a non-bank financial institution regulated by the CBRC engaging in the business of providing deposit services, loan and financing services and other finance related services in accordance with the provisions set out in the 企業集團財務公司管理辦法 (Administrative Measures for Enterprise Group Finance Companies*) promulgated by the CBRC.

INFORMATION ABOUT MIDEA

Midea is a company established in the PRC with limited liability. Midea 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.

GENERAL

The independent non-executive Directors will express their views after receiving advice from the Independent Financial Adviser as to whether the terms of the 2018 Financial Services Framework Agreement and the transactions contemplated thereunder are entered into on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In addition, the proposed New Annual Caps contemplated under the 2018 Financial Services Framework Agreement are determined by the Directors (excluding the independent non-executive Directors) after due and careful consideration and on a fair and reasonable basis. The independent non-executive Directors will express their view after receiving advice from the Independent Financial Adviser as to whether the pricing principles and procedures used in determining the services fees under the 2018 Financial Services Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Independent Shareholders.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the 2018 Financial Services Framework Agreement and the transactions contemplated thereunder are entered into on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Optima Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2018 Financial Services Framework Agreement and the transactions contemplated thereunder, in accordance with the Listing Rules. Such appointment has been approved by the Independent Board Committee. Midea is the controlling Shareholder of the Company holding approximately 68.63% of the issued share capital of the Company and is a party interested in the 2018 Financial Services Framework Agreement. Each of Midea and its associates will abstain from voting on the resolutions in relation to the 2018 Financial Services Framework Agreement and the New Annual Caps contemplated thereunder at the EGM.

Given Mr. Xiao Mingguang is a director of the Company and the Finance Company and Mr. Li Feide is a director of the Company and Midea, they may be regarded as having a material interest in the transactions contemplated under the 2018 Financial Services Framework Agreement and the New Annual Caps contemplated thereunder, 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 2018 Financial Services Framework Agreement including the New Annual Caps contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the 2018 Financial Services Framework Agreement and the New Annual Caps contemplated thereunder. The Directors (excluding all independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) are of the view that the terms of the 2018 Financial Services Framework Agreement are entered into on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Shareholders as a whole.

A circular of the Company containing, among others, (i) the 2018 Financial Services Framework Agreement and the transactions contemplated thereunder; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the EGM; and (v) other information as required under the Listing Rules will be sent to the Shareholders on 23 May 2017.

DEFINITIONS

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

“2014 EGM”	the extraordinary general meeting of the Company held on 30 June 2014 approving, among other things, the 2015 Financial Services Framework Agreement and the existing annual caps in respect of the Core Financial Services contemplated thereunder
“2015 Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and the Finance Company dated 17 April 2014 setting out the service charging principle of the Core Financial Services and Other Financial Services and the annual caps for the three years ending 31 December 2017
“2018 Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and the Finance Company dated 28 April 2017 setting out the service charging principle of the Core Financial Services and Other Financial Services and the New Annual Caps for the three years ending 31 December 2020
“Announcements”	the announcements of the Company dated 17 April 2014 and 23 April 2014 in respect of the 2015 Financial Services Framework Agreement
“associate(s)”	has the meaning as ascribed to it under the Listing Rules

“Board”	the board of Directors
“CBRC”	中國銀行業監督管理委員會 (China Banking Regulatory Commission)
“Circular”	the circular of the Company dated 13 June 2014 in respect of the 2015 Financial Services Framework Agreement
“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 as ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning as ascribed to it under the Listing Rules
“Core Financial Services”	the deposit, loan and financing, bills discounting, bills acceptance and foreign exchange services to be provided by the Finance Company to the Group
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Lotus Room, 6/F, Marco Polo Hongkong Hotel, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong on 16 June 2017 at 12:00 noon to consider and approve, among other things, the 2018 Financial Services Framework Agreement and the New Annual Caps contemplated thereunder
“Finance Company”	美的集團財務有限公司 (Midea Group Finance Co., Ltd.*), a limited liability company established in the PRC, is owned as to 5% by GD Welling and 95% by Midea
“GD Welling”	廣東威靈電機製造有限公司 (Guangdong Welling Motor Manufacturing Co., Ltd.*), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Historical Sales CAGR”	the historical compounded annual growth rate of the total sales of the Group for the period from 2004 to 2016 (excluding 2012 ^(note 2)) of approximately 12%

Note 2: The over-accumulation of inventory of Midea Group for the year ended 31 December 2011 and the termination of the home appliances replacement subsidy policy promulgated by the PRC government in late 2011 had imposed a negative impact on the sales of the Group for the year ended 31 December 2012. Accordingly, the Company had not taken into account the relevant sales figure attributed to the year ended 31 December 2012 when determining the relevant proposed annual caps.

“holding company”	has the meaning as ascribed to it under the Listing Rules
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, Mr. Tan Jinsong, Mr. Lam Ming Yung and Ms. Cao Zhoutao
“Independent Financial Adviser”/“Optima Capital”	Optima Capital Limited, a licensed corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of laws of Hong Kong), and the Independent Financial Adviser to the 2018 Financial Services Framework Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Midea and any of its associates
“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 established 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
“Midea Group”	Midea and its subsidiaries
“New Annual Caps”	the proposed annual caps in respect of each of the Core Financial Services set out in the 2018 Financial Services Framework Agreement for each of the three years ending 31 December 2020
“Other Financial Services”	the financial services other than the Core Financial Services to be provided by the Finance Company to the Group, including financing consultancy services, credit verification and related consultancy and agency services, assistance in payment and receipt of transaction proceeds, approved insurance agency services, intra-group transfer and settlement services, liquidation planning, entrusted loan and other business as may be approved by the CBRC
“PBOC”	People’s Bank of China (中國人民銀行)
“percentage ratio(s)”	has the meaning as ascribed to it under the Listing Rules

“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
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning as ascribed to it under the Listing Rules
“%”	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, 28 April 2017

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

Executive Directors: Mr. Xiang Weimin (Chairman), Mr. Zhang Lifeng (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