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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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

FINAL RESULTS

The board of Directors (the “Board”) of Welling Holding Limited (the “Company” or “Welling”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2008 (the “Year”), which had been reviewed by the audit committee of the Company (the “Audit Committee”) with the comparative figures for the corresponding period in the year 2007 (the “Previous Year”).

Consolidated Income Statement

For the year ended 31 December 2008

		Year ended 31 December	
		2008	2007
	Note	HK\$'000	HK\$'000
			Restated (Note 1)
Continuing operations:			
Revenue	3	5,193,278	4,644,992
Cost of goods sold		<u>(4,655,951)</u>	<u>(4,159,411)</u>
Gross profit		537,327	485,581
Other (losses)/gains — net	4	(80,362)	6,287
Selling and marketing costs		(91,383)	(85,938)
Administrative expenses		<u>(144,299)</u>	<u>(179,986)</u>
Operating profit		<u>221,283</u>	<u>225,944</u>
Finance income	6	8,240	35,725
Finance costs	6	<u>(37,109)</u>	<u>(29,560)</u>
Finance (costs)/income — net	6	<u>(28,869)</u>	<u>6,165</u>

		Year ended 31 December	
		2008	2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			Restated (<i>Note 1</i>)
Profit before income tax		192,414	232,109
Income tax expense	7	<u>(28,810)</u>	<u>(24,841)</u>
Profit for the year from continuing operations		163,604	207,268
Discontinued operations:			
Profit for the year from discontinued operations	8	<u>32,575</u>	<u>21,703</u>
Profit for the year		<u>196,179</u>	<u>228,971</u>
Attributable to:			
Equity holders of the Company		196,877	224,385
Minority interests		<u>(698)</u>	<u>4,586</u>
		<u>196,179</u>	<u>228,971</u>
Earnings per share for profit from continuing operations attributable to the equity holders of the Company, expressed in HK cents per share			
— basic and diluted	9	<u>1.21</u>	<u>1.54</u>
Earnings per share for profit attributable to the equity holders of the Company, expressed in HK cents per share			
— basic and diluted	9	<u>1.46</u>	<u>1.66</u>
Dividends		<u>—</u>	<u>—</u>

Consolidated Balance Sheet

As at 31 December 2008

		As at 31 December	
		2008	2007
	Note	HK\$'000	HK\$'000
			Restated (Note 1)
ASSETS			
Non-current assets			
Leasehold land and land use rights		127,436	193,012
Property, plant and equipment		571,345	744,105
Investment properties		—	106,800
Intangible assets		22,410	21,080
Deferred income tax assets		7,887	—
Prepayment for investments in associates	10	82,463	—
Prepayment for property, plant and equipment	10	22,392	—
		<u>833,933</u>	<u>1,064,997</u>
Current assets			
Inventories		243,888	872,946
Trade and other receivables	10	929,579	1,820,749
Due from related companies		1,074,328	1,265,430
Pledged bank deposits		61,020	276,019
Cash and cash equivalents		217,124	497,042
		<u>2,525,939</u>	<u>4,732,186</u>
Total assets		<u>3,359,872</u>	<u>5,797,183</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		1,347,931	1,347,931
Other reserves		227,921	(152,003)
Accumulated losses		(805,210)	(978,602)
		<u>770,642</u>	<u>217,326</u>
Minority interests		<u>—</u>	<u>55,930</u>
Total equity		<u>770,642</u>	<u>273,256</u>

		As at 31 December	
		2008	2007
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
			Restated (<i>Note 1</i>)
LIABILITIES			
Non-current liabilities			
Borrowings		60,000	—
Deferred income tax liabilities		<u>6,305</u>	<u>—</u>
		<u>66,305</u>	<u>—</u>
Current liabilities			
Trade and other payables	11	1,705,350	3,310,494
Due to related companies		174,032	1,334,057
Derivative financial instruments		30,635	—
Current income tax liabilities		1,300	5,209
Borrowings		611,608	801,164
Provision for warranty		<u>—</u>	<u>73,003</u>
		<u>2,522,925</u>	<u>5,523,927</u>
Total liabilities		<u>2,589,230</u>	<u>5,523,927</u>
Total equity and liabilities		<u>3,359,872</u>	<u>5,797,183</u>
Net current assets/(liabilities)		<u>3,014</u>	<u>(791,741)</u>
Total assets less current liabilities		<u>836,947</u>	<u>273,256</u>

Notes:

1. GENERAL INFORMATION

Welling Holding Limited is a limited liability company incorporated in Hong Kong. The address of its registered office is at Suite 3904, 39/F, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

On 23 November 2007, the Company and Welling Electric Holding (Cayman Islands) Limited (now known as Midea Holding (Cayman Islands) Limited) (the "Vendor"), a wholly-owned subsidiary of Midea Group Co. Ltd. ("Midea"), the Company's ultimate holding company, entered into a sale and purchase agreement (the "Agreement"), pursuant to which the Company conditionally agreed to: (a) acquire from the Vendor the entire issued share capital of Welling Holding (BVI) Limited (the "Welling (BVI)"); (b) dispose of the Company's entire interest in each of China Refrigeration Industry Co., Ltd., Hualing Technology Limited, Hualing (Far East) Limited, and Hualing (Guangzhou) Electrical Appliances Co., Ltd., (collectively the "Disposed Companies") to the Vendor; (c) assign the Company's right to certain net receivables due from the Disposed Companies and their subsidiaries to the Vendor; and (d) issue the consideration shares to the Vendor (collectively the "Transaction").

On 25 February 2008, the Company dispatched a circular related to the Transaction. Pursuant to an ordinary resolution passed at an Extraordinary General Meeting of the Company held on 18 March 2008, the Transaction was approved by the independent shareholders.

Upon completion (the "Completion") of the Transaction on 31 March 2008, the Company: (i) disposed of the Disposed Companies and their respective subsidiaries (together, the "Disposed Group"); (ii) acquired Welling (BVI) and its subsidiaries (together, the "Welling Group"); (iii) allotted and issued approximately 8,753,323,000 consideration shares to the Vendor; and (iv) assigned the Company's right to net receivables due from the Disposed Companies and their subsidiaries amounted to approximately HK\$876,124,000 to the Vendor. Thereafter, the Group has become a manufacturer and distributor of air-conditioning motors, washing motors and electronic and electric components in the People's Republic of China ("PRC") and overseas.

The principal activities of the Disposed Group were the manufacturing, distribution and sale of household electrical appliances, which include air-conditioners, refrigerators and mini-refrigerators.

Given that the Company and the Vendor are both indirect subsidiaries of Midea and under common control of Midea before and after the Transaction, the Company applied the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("HKAG 5") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") in preparing these financial statements of the Group.

Pursuant to a special resolution passed at an Extraordinary General Meeting of the Company held on 18 March 2008 and as approved by the Registrar of Companies in Hong Kong, the English name of the Company was changed from "Hualing Holdings Limited" to "Welling Holding Limited", and the Chinese name of the Company was changed from "華凌集團有限公司" to "威靈控股有限公司" with effect from 15 April 2008.

The Group's consolidated financial statements for the year ended 31 December 2008 are presented in Hong Kong dollars ("HK\$"), which is different from the presentation currency of the Group's interim consolidated condensed financial statements for the period ended 30 June 2008 of Renminbi as the Directors consider this presentation provides more useful and relevant financial information for its current and potential investors.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) under the historical cost convention, as modified by the revaluation of investment properties and derivatives financial instruments.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

The Directors, having considered the current operation and business plan and capital/investment commitment (Note 12) of the Group as well as the available banking facilities, are of the opinion that the Group will have sufficient working capital to enable it to operate as a going concern. Therefore, the consolidated financial statements are prepared on going concern basis.

These consolidated financial statements have also been prepared using the principles of merger accounting, as prescribed in HKAG 5. These consolidated financial statements include the financial position, results and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the year, or since their respective dates of incorporation/establishment. For companies acquired from (or disposed of to) a third party during the year, they would be included in (or excluded from) the consolidated financial statements of the Group from the date of that acquisition (or disposal). Comparative figures as at 31 December 2007 and for the year ended 31 December 2007 have been presented on the same basis.

There is no gain or loss from the Transaction because the resulting differences are regarded as distribution to the equity holders of the Company and debited to the equity of the Group. As a result, the accumulated losses of the Disposed Group of approximately HK\$1,216,807,000 up to 31 March 2008 are not affected by any disposal gain or loss, and are included in the accumulated losses attributable to equity holders of the Company as at 31 December 2008. The deemed distribution arising from the Transaction of approximately HK\$3,219,525,000 was debited to the equity of the Group.

These consolidated financial statements also include the assets, liabilities and results of operation of the Disposed Group which were under common control of Midea before and after the Transaction. The Company disposed of the Disposed Group after the Completion of the Transaction. In accordance with HKFRS 5 “Non-current assets held for sale and discontinued operations” issued by the HKICPA, the results and cash flows of the operations of the Disposed Group have been presented as discontinued operations. The comparative figures in the consolidated income statement and consolidated cash flow statement were restated to reflect the disposal of Disposed Group accordingly (Note 8).

The following are reconciliations of the effects arising from the common control combination and the disposal of the Disposed Group on the consolidated balance sheet as at 31 December 2007, consolidated income statement and consolidated cash flow statement for the year ended 31 December 2007.

(a) The consolidated balance sheet as at 31 December 2007:

	Amount previously reported Audited HK\$’000 (i)	Merger of the Welling Group HK\$’000 (ii)	Elimination of the intercompany balance HK\$’000 (iii)	Restated Audited HK\$’000
Total current assets	1,802,254	2,973,800	(43,868)	4,732,186
Total assets	2,370,637	3,470,414	(43,868)	5,797,183
Total current liabilities	2,718,864	2,848,931	(43,868)	5,523,927
Total liabilities	2,718,864	2,848,931	(43,868)	5,523,927
Total equity	<u>(348,227)</u>	<u>621,483</u>	<u>—</u>	<u>273,256</u>

(b) The consolidated income statement for the year ended 31 December 2007:

	Amount previously reported Audited HK\$'000 (i)	Merger of the Welling Group HK\$'000 (ii)	Disposal of the Disposed Group HK\$'000 (iv)	Restated Audited HK\$'000
Continuing operations:				
Revenues	<u>3,589,686</u>	<u>4,644,992</u>	<u>(3,589,686)</u>	<u>4,644,992</u>
(Loss)/profit for the year from continuing operations	(55,001)	274,125	(11,856)	207,268
Discontinued operations:				
Profit from discontinued operations (<i>Note 8</i>)	<u>—</u>	<u>9,847</u>	<u>11,856</u>	<u>21,703</u>
(Loss)/profit for the year	<u>(55,001)</u>	<u>283,972</u>	<u>—</u>	<u>228,971</u>

(c) The consolidated cash flow statement for the year ended 31 December 2007:

	Amount previously reported Audited HK\$'000 (i)	Merger of the Welling Group HK\$'000 (ii)	Restated Audited HK\$'000
Net cash generated from operating activities	167,985	62,604	230,589
Net cash used in investing activities	(128,551)	(100,860)	(229,411)
Net cash (used in)/generated from financing activities	<u>(36,360)</u>	<u>213,953</u>	<u>177,593</u>

- (i) The amount originally stated by the Group are the same as those published in the Group's audited financial statements as at 31 December 2007, representing information of the Disposed Group and the Company.
- (ii) The financial information of the Welling Group as at 31 December 2007 and for the year ended 31 December 2007 are included using the principles of merger accounting as prescribed in HKAG 5 as stated above.

On 30 April 2007, the Welling Group disposed of all of its equity interest in Jiangsu Qingjiang Motor Manufacturing Co., Ltd. (previously known as Huaian Welling-Qingjiang Motor Manufacturing Co., Ltd.) and its subsidiary (collectively as "Qingjiang") to Midea and Midea International Corporation Company Ltd., a direct wholly-owned subsidiary of Midea. The main business of Qingjiang was manufacturing and distributing industrial motors. The operating loss of Qingjiang for the four months ended 30 April 2007 was approximately HK\$2,239,000 and the disposal gain was approximately HK\$12,086,000. The total amount HK\$9,847,000 has been included in the profit from discontinued operations of the Group for the year ended 31 December 2007.

The financial statements of the Welling Group originally stated in Renminbi ("RMB") is retranslated into HK\$ with the following exchange rates:

- assets and liabilities are translated at the closing rate as at 31 December 2007 of HK\$1 = RMB0.9360;

- income and expenses are translated at average exchange rate for the year ended 31 December 2007 of HK\$1=RMB0.9710 (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
 - movements of equity are translated at the rate prevailing on the transaction dates.
- (iii) The intercompany receivable and payable balances between the Disposed Group and the Welling Group entities are eliminated.
- (iv) The audited revenue and profit related to the operating result of the Disposed Group for the year ended 31 December 2007 are presented under “profit from discontinued operations” as required by HKFRS5 as mentioned above.

i. Standards, amendment and interpretations effective in 2008

- HKAS 39, ‘Financial instruments: Recognition and measurement’, amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, ‘Financial instruments: Disclosures’, introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group’s financial statements, as the Group has not reclassified any financial assets.

ii. Standards, amendments and interpretations effective in 2008 but not relevant to the Group

- HK(IFRIC) — Int 11, ‘HKFRS 2 — Group and treasury share transactions’
- HK(IFRIC) — Int 12, ‘Service concession arrangement’
- HK(IFRIC) — Int 14, ‘HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction’

3. SEGMENT INFORMATION

(a) Business segments

The segment results for the year ended 31 December 2008 are as follows:

	Air- conditioning motors business HK\$'000	Washing motors business HK\$'000	Electronic & electric components business HK\$'000	Raw material business HK\$'000	Disposed Group HK\$'000	Unallocated HK\$'000	The Group HK\$'000
Continuing operations							
Gross segment revenue	2,745,023	1,643,342	813,638	1,702,021	—	—	6,904,024
Inter-segment revenue	(41,874)	(7,939)	(15,436)	(1,645,497)	—	—	(1,710,746)
Revenue	2,703,149	1,635,403	798,202	56,524	—	—	5,193,278
Operating profit/(loss)	71,456	116,202	27,633	9,020	—	(3,028)	221,283
Finance (costs)/income — net	(17,594)	(3,507)	(2,832)	(8,814)	—	3,878	(28,869)
Profit before income tax							192,414
Income tax expense	(5,560)	(13,790)	(2,943)	(268)	—	(6,249)	(28,810)
Profit for the year from continuing operations							163,604
Discontinued operations							
Profit for the year from discontinued operations	—	—	—	—	32,575	—	32,575
Profit for the year							196,179
Segment assets	1,645,625	945,979	292,076	266,088	—	119,754	3,269,522
Deferred tax assets							7,887
Prepayment for investments in associates							82,463
Total assets							3,359,872
Segment liabilities	1,365,236	710,152	195,199	242,813	—	69,525	2,582,925
Deferred tax liabilities							6,305
Total liabilities							2,589,230
Capital expenditure	112,514	172,799	11,440	—	57,708	7	354,468
Other non-cash expenses/(income)							
Depreciation	28,782	18,071	8,014	1	15,011	41	69,920
(Reversal)/provision for inventory obsolescence	(65)	462	(731)	603	151	—	420
(Reversal)/provision for doubtful trade and other receivables	(1,674)	(1,148)	(1,058)	—	12,778	—	8,898
Impairment charge on property, plant and equipment	—	—	—	—	92	—	92
Fair value loss on derivative financial instruments	18,389	12,246	—	—	—	—	30,635
Fair value gain on investment properties	—	—	—	—	(2,198)	—	(2,198)

The segment results for the year ended 31 December 2007 are as follows:

	Air- conditioning motors business HK\$'000	Washing motors business HK\$'000	Electronic and electric components business HK\$'000	Raw material business HK\$'000	Industrial motors business HK\$'000	Disposed Group HK\$'000	Unallocated HK\$'000	The Group HK\$'000 Restated
Continuing operations								
Gross segment revenue	2,732,176	1,307,436	656,478	—	—	—	—	4,696,090
Inter-segment revenue	(21,882)	(9,941)	(19,275)	—	—	—	—	(51,098)
Revenue	2,710,294	1,297,495	637,203	—	—	—	—	4,644,992
Operating profit/(loss)	119,736	137,251	36,110	37	—	—	(67,190)	225,944
Finance (costs)/income — net	(9,635)	5,663	2,939	25	—	—	7,173	6,165
Profit before income tax								232,109
Income tax expense	(12,998)	(7,150)	(4,673)	(20)	—	—	—	(24,841)
Profit for the year from continuing operations								207,268
Discontinued operations								
Profit for the year from discontinued operations	—	—	—	—	9,847	11,856	—	21,703
Profit for the year								228,971
Total assets	2,185,449	802,661	393,177	5,872	—	2,260,340	149,684	5,797,183
Total liabilities	1,886,030	564,329	358,713	21	—	2,616,406	98,428	5,523,927
Capital expenditure	82,104	41,451	2,163	—	16,107	150,846	7	292,678
Other non-cash expenses/ (income)								
Depreciation	27,222	12,122	7,692	4	1,553	64,486	36	113,115
(Reversal)/provision for inventory obsolescence	(566)	(514)	383	—	—	26,421	—	25,724
Provision for doubtful trade and other receivables	131	1,412	50	—	—	33,832	—	35,425
Impairment charge on property, plant and equipment	—	—	—	—	—	1,241	—	1,241
Fair value loss on investment properties	—	—	—	—	—	1,751	—	1,751

(b) Geographical segments

Analysis of sales by geographical segment is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> Restated
Continuing operations		
Domestic sales	3,735,581	3,317,367
Export sales	<u>1,457,697</u>	<u>1,327,625</u>
Total	<u>5,193,278</u>	<u>4,644,992</u>
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> Restated
Discontinued operations		
Domestic sales	1,146,717	2,271,887
Export sales	<u>233,338</u>	<u>1,416,569</u>
Total	<u>1,380,055</u>	<u>3,688,456</u>

No geographical segment analysis on total assets and capital expenditure is prepared as over 90% of the Group's total assets and capital expenditures were located/incurred in the PRC.

4. OTHER (LOSSES)/GAINS — NET

(a) From continuing operations

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> Restated
Government grants <i>(i)</i>	1,413	801
Derivative financial instruments		
— fair value losses on commodity future contracts	(22,862)	—
— fair value losses on foreign exchange forward contracts	(7,773)	—
Realised loss on commodity future contracts <i>(iv)</i>	(35,957)	—
Realised gain on foreign exchange forward contracts <i>(ii)</i>	25,770	—
Exchange loss	(44,807)	—
Loss on disposal of property, plant and equipment	(2,907)	(1,093)
Penalty income	2,423	2,149
Others	<u>4,338</u>	<u>4,430</u>
	<u>(80,362)</u>	<u>6,287</u>

(b) From discontinued operations

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> Restated
Gain on sales of scrap materials	2,768	9,616
Rental income — net	977	3,625
Government grants (i)	—	3,434
Fair value gain/(loss) on investment properties	2,198	(1,751)
Waiver of bank loan and interest payable (iii)	—	14,764
Loss on disposal of property, plant and equipment	(184)	(8,206)
Others	<u>4,711</u>	<u>(1,740)</u>
	<u>10,470</u>	<u>19,742</u>

- (i) The amount represents the subsidy granted by and received from local government authorities in the PRC for encouragement of export.
- (ii) The Group entered into various foreign exchange forward contracts to manage the fluctuation of foreign currencies which did not meet the criteria for hedge accounting. Realised gain on foreign exchange forward contracts amounted to HK\$25,770,000.
- (iii) The balance represented a waiver of bank loan and interest payable to a financial institution of PRC in favour of China Refrigeration Industry Co., Ltd., a subsidiary, according to a loan restructuring contract.
- (iv) The Group entered into various copper and aluminum future contracts to manage the fluctuation of commodity price which did not meet the criteria for hedge accounting. Realised loss on commodity future contracts represented the loss relating to the copper and aluminum future contracts settled during the year ended 31 December 2008.

5. EXPENSES BY NATURE

Expenses included in cost of goods sold, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

(a) From continuing operations

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> Restated
Cost of inventories recognised as expense	4,451,476	3,919,814
Employee benefit expenses	347,444	251,314
Depreciation	54,909	48,629
Professional fee and printing cost related to the Transaction	631	53,983
(Reversal)/provision for impairment of trade and other receivables	(3,880)	1,593
Provision/(reversal) for inventory obsolescence	269	(697)
Operating leases rental for land and buildings	2,362	2,011
Auditors' remuneration	4,687	6,360
Research and development costs	<u>3,458</u>	<u>2,098</u>

(b) From discontinued operations

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> Restated
Cost of inventories recognised as expense	1,205,061	3,184,214
Employee benefit expenses	27,113	133,978
Depreciation	15,011	64,486
Provision for warranty	38,129	57,939
Provision for impairment of trade and other receivables	12,778	33,832
Provision for inventory obsolescence	151	26,421
Operating leases rental for land and buildings	2,788	11,372
Auditors' remuneration	9	430
Provision for impairment charge of property, plant and equipment	92	1,241
Research and development costs	334	1,025
Amortisation of intangible assets	—	84
	<u> </u>	<u> </u>

6. FINANCE (COSTS)/INCOME — NET**(a) From continuing operations**

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> Restated
Interest expense	(42,461)	(26,028)
Exchange gain/(loss) — net	5,352	(3,532)
	<u> </u>	<u> </u>
Finance cost	(37,109)	(29,560)
	<u> </u>	<u> </u>
Finance income — interest income on short-term bank deposit	8,240	15,546
Interest income from related parties	—	20,179
	<u> </u>	<u> </u>
Finance income	8,240	35,725
	<u> </u>	<u> </u>
Net finance (costs)/income	(28,869)	6,165
	<u> </u>	<u> </u>

(b) From discontinued operations

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> Restated
Interest expense	(8,420)	(28,260)
Interest expense to related parties	—	(1,314)
Exchange loss — net	(5,158)	(19,960)
	<u> </u>	<u> </u>
Finance cost	(13,578)	(49,534)
Finance income — interest income on short-term bank deposit	2,150	10,263
	<u> </u>	<u> </u>
Net finance cost	(11,428)	(39,271)
	<u> </u>	<u> </u>

7. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as the Group did not have any assessable profit in Hong Kong. PRC corporate income tax has been calculated on the estimated assessable profit for the Year at the rates of taxation prevailing in the respective jurisdictions.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> Restated
Income tax from continuing operations:		
Current tax		
— PRC corporate income tax	<u>30,392</u>	<u>24,841</u>
Deferred tax		
— Deferred tax assets recognised	<u>(7,887)</u>	—
— Deferred tax liabilities recognised	<u>6,305</u>	—
	<u>(1,582)</u>	—
Income tax expense	<u><u>28,810</u></u>	<u><u>24,841</u></u>
Income tax from discontinued operations:		
Current tax		
— PRC corporate income tax	<u><u>625</u></u>	<u><u>5,516</u></u>

PRC corporate income tax is provided for on 25% (31 December 2007: 33%) of the profits for the PRC statutory financial reporting purpose, adjusted for those items, which are not assessable or deductible for the PRC corporate income tax purpose.

Profits tax for other locations has not been provided as the Group did not have any assessable profits in those locations.

8. DISCONTINUED OPERATIONS

On 31 March 2008, the Group disposed of all of its equity interest in the Disposed Companies to the Vendor (Note 1). The operating gain of the Disposed Group for the year ended 31 December 2007 amounted to approximately HK\$11,856,000 has been included in the profit from discontinued operations of the Group for the year ended 31 December 2007. The operating gain for the three months ended 31 March 2008 amounted to approximately HK\$32,575,000 has been included in the profit from discontinued operations of the Group for the year ended 31 December 2008.

The results and cash flows for the discontinued operations were as follows:

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> Restated
Discontinued operations:			
Revenue	3	1,380,055	3,688,456
Representing:			
— Revenue from the Disposed Group		1,380,055	3,589,686
— Revenue from Qingjiang		—	98,770
Cost of goods sold		(1,248,750)	(3,392,838)
Gross profit		131,305	295,618
Other gains — net	4	10,470	19,742
Selling and marketing costs		(57,470)	(183,812)
Administrative expenses		(39,403)	(73,974)
Other operating expenses		(274)	(3,170)
Operating profits		44,628	54,404
Finance costs	6	(13,578)	(49,534)
Finance income	6	2,150	10,263
Finance costs — net	6	(11,428)	(39,271)
Profits before income tax		33,200	15,133
Income tax expense	7	(625)	(5,516)
Profit after income tax		32,575	9,617
Representing:			
— Profit after income tax from the Disposed Group		32,575	11,856
— Loss after income tax from Qingjiang		—	(2,239)
Gain on disposal of Qingjiang	(b)	—	12,086
Profit for the year from discontinued operations		32,575	21,703
		2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> Restated
Discontinued operations:			
Net cash inflow from operating activities		159,444	128,229
Net cash used in investing activities		(57,089)	(125,427)
Net cash (used in)/generated from financing activities		(9,265)	25,687
Total cash inflows		93,090	28,489

- (a) The deemed contribution arising from the Transaction credited to merger reserve and net cash outflow on disposal of the Disposed Group for the year ended 31 December 2008 was determined as follows:

	<i>HK\$'000</i>
Leasehold land and land use rights	104,125
Property, plant and equipment	418,503
Investment properties	113,893
Other non-current assets	73
Cash and cash equivalents	245,096
Inventories	417,478
Due from related companies	1,172,721
Trade and other receivables	673,063
Pledged bank deposit	171,441
Trade and other payables	(2,116,244)
Income tax liabilities	(810)
Due to related parties	(967,399)
Due to the Company	(876,124)
Provision for warranty	(109,944)
Borrowings	(401,970)
Less: minority interests disposed of	(55,232)
Less: statutory reserves released	<u>(48,137)</u>
Net liabilities disposed of	(1,259,467)
Net debt receivable assigned to the Vendor (<i>Note 1</i>)	876,124
Deemed contribution arising from the Transaction credited to merger reserve	404,351
Exchange difference	<u>(21,008)</u>
Cash proceeds	—
Less: cash and cash equivalent disposed of	<u>(245,096)</u>
Net cash outflow	<u><u>(245,096)</u></u>

- (b) The gain and net cash inflow on disposal of Qingjiang and its subsidiary for the year ended 31 December 2007 was determined as follows:

	<i>HK\$'000</i>
Leasehold land and land use rights	40,628
Property, plant and equipment	132,971
Intangible assets	29
Available-for-sale financial assets	3,237
Inventories	75,027
Trade and other receivables	223,765
Pledged bank deposits	49,141
Cash and cash equivalents	17,275
Borrowings	(143,614)
Trade and other payables	<u>(362,381)</u>
	36,078
Less: minority interest disposed of	<u>(8,266)</u>
Net assets disposed of	27,812
Gain on disposal	<u>12,086</u>
Cash consideration	39,898
Less: cash and cash equivalent disposed of	<u>(17,275)</u>
Net cash inflow on disposal	<u><u>22,623</u></u>

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue during the year.

	2008	2007 Restated
Continuing operations		
Profit for the year from continuing operations attributable to equity owners of the Company (<i>HK\$'000</i>)	163,604	207,268
Weighted average number of ordinary shares for the purposes of basic earnings per share (<i>'000 shares</i>)	13,479,314	13,478,355
Basic earnings per share (<i>HK cents</i>)	<u>1.21</u>	<u>1.54</u>
Discontinued operations		
Profit for the year from discontinued operations attributable to equity owners of the Company (<i>HK\$'000</i>)	33,273	17,117
Weighted average number of ordinary shares for the purposes of basic earnings per share (<i>'000 shares</i>)	13,479,314	13,478,355
Basic earnings per share (<i>HK cents</i>)	<u>0.25</u>	<u>0.12</u>
Profit for the year attributable to equity owners of the Company (<i>HK\$'000</i>)	196,877	224,385
Weighted average number of ordinary shares for the purposes of basic earnings per share (<i>'000 shares</i>)	13,479,314	13,478,355
Basic earnings per share (<i>HK cents</i>)	<u>1.46</u>	<u>1.66</u>

On 31 March 2008, 8,753,323,092 shares were allotted and issued to the Vendor as consideration shares upon the completion of the Transaction (Note 1), the ordinary shares issued as part of the Transaction are presented as if it had always been issued using the principles of merger accounting as prescribed in HKAG 5.

(b) Diluted

For the year ended 31 December 2007 and 31 December 2008, potential dilutive ordinary shares are not included in the calculation of diluted earnings per share because they are anti-dilutive. Therefore, the basic and diluted earnings per share in 2008 and 2007 are the same.

10. TRADE AND OTHER RECEIVABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> Restated
Trade receivables (<i>Note (a)</i>)	407,876	763,303
Less: provision for impairment	<u>(18,818)</u>	<u>(83,138)</u>
Trade receivables — net	389,058	680,165
Notes receivable (<i>Notes (a)&(b)</i>)	394,629	969,593
Prepayments and other receivables	211,794	161,657
Less: provision for impairment of other receivables	(89)	(113)
Prepaid value-added tax — net	<u>39,042</u>	<u>9,447</u>
	1,034,434	1,820,749
Less: non-current portion		
Prepayment for investments in associates (<i>Note (c)</i>)	(82,463)	—
Prepayment for property, plant and equipment	<u>(22,392)</u>	<u>—</u>
	<u>929,579</u>	<u>1,820,749</u>

As at 31 December 2007 and 2008, the fair value of trade and other receivables of the Group approximate their carrying amounts.

Notes:

- (a) The majority of the Group's export sales are on letter of credit or documents against payment, or covered by customers' standby letters of credit or bank guarantees. The remaining amounts are with credit terms of 30 days to 90 days. As at 31 December 2008, the ageing analysis of the gross trade receivables and notes receivable are as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> Restated
Within one year	802,486	1,677,583
In the second year	19	25,198
Over two years	<u>—</u>	<u>30,115</u>
	<u>802,505</u>	<u>1,732,896</u>

- (b) The balance represents bank acceptance notes with maturity periods within six months.
- (c) On 26 November 2008, two wholly-owned subsidiaries of the Company separately entered into a joint venture agreement in PRC ("PRC JV Agreement") and a share subscription agreement ("Subscription Agreement") in Hong Kong, through which the Group proposed to acquire 49% minority interests in four PRC companies (collectively, the "Target Companies" and the transaction as the "Acquisition").

Before the Acquisition, the Target Companies were owned by an independent party of the Group (the "Domestic Vendor"). The Target Companies are engaged in manufacturing of casting products.

As at 31 December 2008, the Group paid consideration of HK\$82,463,000 in accordance with the PRC JV Agreement as capital contribution for the formation of a joint venture company incorporated in Shanxi Province, the PRC. The joint venture company was held by the Group and the Domestic Vendor by 49% and 51% respectively as at 31 December 2008. The Group has also paid consideration of HK\$98 in accordance with the Subscription Agreement, and held 49% interest in the Linkgo-HK Limited as at 31 December 2008.

Linkgo-HK Limited is an investment holding company incorporated in Hong Kong. It is the minority shareholder of certain Target Companies.

However, as the completion of the Acquisition is subject to the future fulfillment of certain terms stated in the PRC JV Agreement by the Group and the Domestic Vendor, the consideration paid is recorded as prepayment for investments in associates in the consolidated balance sheet as at 31 December 2008.

Upon the completion of the Acquisition, the total consideration of HK\$202,181,000 will be recognised as the cost for the investment in associates, and the Group's investments in associates will be accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of its associates' post-acquisition profits or losses will be recognised in the consolidated income statement, and its share of post-acquisition movements in reserves will be recognised in reserves. The cumulative post-acquisition movements will be adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group will not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

11. TRADE AND OTHER PAYABLES

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
		Restated
Trade payables (<i>Note (a)</i>)	1,202,757	1,934,714
Notes payable (<i>Notes (a)&(b)</i>)	369,342	<u>885,036</u>
	1,572,099	2,819,750
Provision for staff welfare and bonus	44,824	51,006
Accruals	13,046	148,220
Advances from customers	6,136	198,674
Others	69,245	<u>92,844</u>
	1,705,350	<u>3,310,494</u>

Notes:

- (a) At 31 December 2008, the ageing analysis of the trade payables and note payables of the Group was as follows:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
		Restated
Within one year	1,560,449	2,796,707
In the second year	10,851	6,368
Over two years	799	<u>16,675</u>
	1,572,099	<u>2,819,750</u>

- (b) The balance represents non-interest bearing bank acceptance notes issued by the Group with maturity periods of less than nine months. As at 31 December 2008, certain notes payable were pledged by bank deposits of approximately HK\$145,698,000 (2007: HK\$276,019,000).

12. COMMITMENTS

(a) Capital commitments

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> Restated
Contracted but not provided for		
— purchases of property, plant and equipment	87,455	129,092
— investments in associates (<i>Note 10(c)</i>)	<u>119,718</u>	<u>—</u>
	<u>207,173</u>	<u>129,092</u>

(b) Operating lease commitments — Group as the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> Restated
Not later than one year	1,419	13,926
Later than one year and not later than five years	<u>2,101</u>	<u>782</u>
	<u>3,520</u>	<u>14,708</u>

13. SUBSEQUENT EVENTS

On 9 January 2009, 375,000,000 share options were granted to the Directors and certain employees of the Group pursuant to the share option scheme of the Company.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: Nil).

CLOSURE OF REGISTER

The register of members will be closed from 19 May 2009 to 22 May 2009, both days inclusive, during which period no transfer of shares of the Company will be effected for the purpose of determining the identity of members who are entitled to attend and vote at the Annual General Meeting of the Company to be held on 22 May 2009. In order to register the transfers, all transfers accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 18 May 2009.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Beijing Suite I, 3/F., Prince Hotel, Harbour City, 23 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on 22 May 2009 at 11:30 a.m.. The notice of the Annual General Meeting will be published on the Company's website at <http://www.welling.com.cn> and the website of the Stock Exchange at www.hkexnews.hk, and dispatched to the shareholders of the Company on or about 22 April 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Restructuring

On 31 March 2008, the Company completed a restructuring exercise involving a significant business and assets swap with the support of Midea, the substantial shareholder of the Company, by disposing of the then original business of the Group, which mainly included the manufacturing and distribution of electrical household appliances, to Midea and acquiring from Midea the entire issued share capital of Welling (BVI), an indirect wholly-owned subsidiary of Midea principally engaged in the manufacturing and distribution of motors and electronic and electric components for electrical household appliances. Afterwards, the business of the Group moved to upstream in the electrical household appliances industry and focused on the development of the more promising upstream business of motors and electronic and electric components.

Business Review

The Group's profit attributable to the equity holders of the Company and earnings per share for the year ended 31 December 2008 amounted to approximately HK\$196,877,000 (2007: approximately HK\$224,385,000) and HK1.46 cents (2007: HK1.66 cents), respectively. For the year ended 31 December 2008, the Group recorded a turnover of approximately HK\$5,193,278,000 (2007: approximately HK\$4,644,992,000), representing an increase of approximately 12% over the same period last year. The Group's gross profit margin was approximately 10% (2007: approximately 10%). Net asset value per share of the Group was HK5.7 cents as at 31 December 2008.

Analysis of Major Business Operation

The financial crisis in 2008 sent the global economy into a downturn and dealt a heavy blow to major international markets. China's economic growth also slowed down in line with the global economy, to an extent affecting day-to-day economic activities. To cope with the global economic crisis triggered by the financial turmoil that originated in the United States, the Group has adopted a series of measures including stringent cost controls, stronger risk control and management, enhancement of production efficiency by way of technology upgrades, reductions in raw material consumption and cutbacks in unessential expenses, which enabled its business to sustain steady growth in such severe market condition.

(1) *Air-conditioning Motors Business:*

The overall demand for household air-conditioners was dragged down as a result of the global economic crisis, with sales of the industry in 2008 decreasing by more than 6% as compared to the figures for the same period last year (Source: www.chinaIOL.com (產業在線)). The sales in the commercial air-conditioners increased by more than 9%, as the business of commercial air-conditioners remained at a growth stage that partially offset the impact of the global economic crisis (Source: www.chinaIOL.com (產業在線)). The domestic commercial air-conditioners business enjoyed growing market share as vigorous growth momentum had been maintained with its relatively high performance-price ratio of products and the advantage of its close-to-market services. Furthermore, as PRC has raised the energy efficiency standard for household air-conditioners and stepped up the pace on promoting converter air-conditioners with high energy efficiency, industry players would enhance the research and development, as well as investment efforts in direct current motors, the development of which is expected to gain pace as a segment product of motors for household air-conditioning.

The Group recorded approximately 35,524,000 units of domestic sales and 7,859,000 units of export sales of air-conditioning motors for the year ended 31 December 2008. The aggregate sales volume decreased by approximately 8% as compared to the same period last year. Air-conditioning motors recorded a turnover of approximately HK\$2,703,149,000 for 2008, which represented a decrease of 0.3% as compared to turnover of approximately HK\$2,710,294,000 for the same period in 2007.

The Group increased its market share in motors for household air-conditioning business of the Group by developing its existing customer base in depth. For commercial air-conditioning motors and air-conditioning direct current motors segments, the Group strengthened the marketing promotion and achieved with enhanced growth of sales. In terms of management and operation, reductions in production costs and enhancements in operational efficiency were achieved through higher proportion of self-made key components, streamlined production, optimised motor designs and stringent cost control. The competitive edge of our products was further strengthened as a result.

(2) *Washing Motors Business:*

Globally, the major growing areas of the washing machine industry will be in Asia, Latin America, East-Central Africa, and Eastern Europe. In the domestic market, due to the factors including the upgrading of electrical appliances for urban areas and general implementation of "Home Appliances Subsidy Policy for Rural Areas", the domestic sales volume of washing machines in 2008 increased by more than 11% over the same period last year. The global financial crisis had a greater impact on the major market of tumble-

type washing machines (i.e. Europe). In December 2008, the export sales volume of tumble-type washing machines decreased by approximately 26% as compared to the same period last year. The export sales volume of washing machines for the year increased by about 10%, which was attributable to the worldwide shifting of manufacturing resources for washing machines to the PRC (Source: www.chinaIOL.com (產業在線)).

For 2008, the Group recorded approximately 8,412,000 units of domestic sales and approximately 6,177,000 units of export sales for its washing motors. Total sales volume grew approximately 24% as compared to the same period last year. The aggregate turnover for the washing motors business was approximately HK\$1,635,403,000, which represented an increase of approximately 26% as compared to approximately HK\$1,297,495,000 for the same period in 2007.

The Group continued to record strong growth in its washing motors business to maintain its leading position in the industry. The aggressive marketing strategies adopted by the Group towards major customers proved successful as increasing orders were received from major customers. Meanwhile, measures to enhance technical innovation of washing motors, increase the proportion of self-made key components and impose stringent control over product quality improved product competitiveness and contributed to the growth in sales volume. The Group strengthened control over exchange rate exposure given the relatively high proportion of exports for the washing motors business.

In the Year, the Group acquired a manufacturing plant for washing motors business in order to enhance its capability to manufacture key components of washing motors.

(3) *Electronic and Electric Components Business:*

In 2008, in order to cope with the economic crisis and to strengthen their position in the industry, microwave oven manufacturers sought to increase their development effort in the third/fourth-tier domestic markets. Domestic sales of microwave ovens increased by more than 15% over the same period last year (Source: China Market Monitor (中怡康)). However, a negative growth rate of 5.8% was recorded in the export sales volume of microwave ovens (Source: www.chinaIOL.com (產業在線)) as the global financial crisis loomed.

The Group recorded approximately 25,970,000 units of domestic sales of and 1,776,000 units of export sales of its electronic and electric components, representing a growth of approximately 14% in total sales volume compared to the same period last year. The turnover of electronic and electric components was approximately HK\$798,202,000, representing an increase of approximately 25% over approximately HK\$637,203,000 recorded in the same period in 2007.

The Group registered stable growth in all business segments by developing a cluster of major customers in export and domestic sales in great depth and increasing efforts to support the businesses with strategic products such as variable-frequency transformer for microwave ovens and resistors. The growth of our converter and resistor businesses outperformed the industry. The development of shaded pole motors followed a positive trend with a satisfactory growth rate. Facing the challenges of highly volatile costs of bulk purchase of raw materials and rising of labour costs, the electronic and electric components business implemented measures to optimise its product structure, improve its production processes and enhance control over costs and product quality. Meanwhile,

the Group adopted measures to streamline production, develop key components on an in-house basis, increase domestic production of parts and components and change the mode of export trading, which partially offset the impact of increased costs of raw materials.

Financial Review

Liquidity

The Group's liquidity ratio as at the balance sheet date was as follows:

	31 December 2008	31 December 2007
	<i>HK\$'000</i>	<i>HK\$'000</i> Restated
Current assets	2,525,939	4,732,186
Current liabilities	2,522,925	5,523,927
Liquidity ratio ⁽¹⁾	<u>1.00</u>	<u>0.86</u>

Note:

- (1) Liquidity ratio represents the total current assets divided by total current liabilities as at the balance sheet date. The Group's liquidity ratios as at 31 December 2007 and 31 December 2008 were 0.86 and 1.00 respectively. The main reason for the improvement in liquidity ratio was the disposal of the Disposed Group, which was in net current liabilities position as at 31 December 2007.

Capital Structure and Pledge of Assets

The Group's gearing ratio as at the balance sheet date was as follows:

	31 December 2008	31 December 2007
	<i>HK\$'000</i>	<i>HK\$'000</i> Restated
Total borrowings	671,608	801,164
Less: cash and cash equivalents	<u>(217,124)</u>	<u>(497,042)</u>
Net borrowings	454,484	304,122
Total equity	770,642	273,256
Gearing ratio ⁽¹⁾	<u>0.59</u>	<u>1.11</u>

Note:

- (1) Subsequent to the Completion of the Transaction on 31 March 2008 by the Company, the gearing ratio of the Group as at 31 December 2008 was substantially improved.

As at 31 December 2008, short-term borrowings were secured by the Group's property, plant and equipments with net book value of HK\$133,229,000 (2007: HK\$229,990,000) and leasehold land and land use rights with net book value of HK\$85,965,000 (2007: HK\$87,859,000).

Contingent Liabilities

As at 31 December 2008, the Group did not have any material contingent liabilities.

Capital Expenditure

During the Year, the Group had invested an amount of approximately HK\$354,468,000 (2007: HK\$292,678,000) as addition to the property, plant and equipments and leasehold land and land use rights, which included the acquisition of leasehold land and a manufacturing plant for washing motor business.

Derivative Financial Instruments

The Group has entered into various copper and aluminium future contracts and foreign exchange future contracts amounting to approximately HK\$30,635,000 outstanding as at 31 December 2008 (2007: Nil).

Human Resources

As at 31 December 2008, the Group employed approximately 8,439 full time employees in Hong Kong and the PRC. The Group currently provides the staff with competitive remuneration packages (including salary, bonus and benefits), insurance (including pension, medical insurance, unemployment insurance and insurance for labour injury) and housing fund. The Group also puts significant efforts in the development, management and planning of human resources. A good management system for human resources will enhance employees' contribution to the Group and enable the Group to enjoy an advantage of having strategic human resources.

The Group has adopted a share option scheme to motivate employees to strive for future development and expansion of the Group. In addition, the Group also provides other benefits, including meal subsidies, housing subsidies, cooperative medical services, assistance fund, group activities, etc.

Exposure to the Fluctuations in Exchange Rate

Approximately 30% of the Group's turnover was derived from export trading settled in Euros and US dollars. Similarly, the Group also imported raw materials in which the suppliers were paid in Euros and US dollars. Foreign exchange risks associated with these currencies were partially offset as a result. Moreover, the Group has made arrangements to purchase currency forward contracts to hedge foreign exchange exposure for certain export trading. The money market was volatile during the year, and the Group incurred more foreign exchange loss as a result. The Group has strengthened control over risk of the fluctuations in exchange rate, and reviewed from time to time the sufficiency and appropriateness of the financial instruments which were used to hedge significant foreign currency risks.

Business Prospects

Export sales of products fell due to the global economic turmoil and the recession of major markets such as Europe and America, while sales at home were also weakened in line with slower domestic economic growth. As a result, the production/sales growth rate of the electrical household appliances industry as a whole may lose further ground. Manufacturers of components for electrical household appliances are facing more intense competition in the market, pressurised by the changing balance in supply-demand and downstream electrical

household appliances manufacturers emerging from business consolidations with stronger business performance. In the coming years, the Group will further enhance its operational standard and overall profitability by improving the quality of its products, consolidating the “Welling” brand advantage, accelerating the pace of product structure optimisation and expanding its business scale. We will also develop relevant new products and continue to implement strategies of cost reduction. The Group will focus on the business of motors for electrical household appliances, strengthen risk management and consolidate its market share and leading position in the industry, with aspirations to become one of the world’s best suppliers for parts and components of electrical household appliances. Furthermore, China’s policy of increasing domestic demand and the campaign on home appliances for rural areas has accelerated the development of rural markets and third/fourth-tier markets. The Group will seize every opportunity to foster growth of its domestic sales.

The household air-conditioner market has currently entered into a mature phase while the commercial air-conditioner market is in a phase of growth. The Group will continue to advance research and development as well as process improvement of air-conditioning motors, so as to solidify its leading global market shares for its major product, namely motors for household air-conditioning. Meanwhile, the Group will improve product structures, increase investments in new segments such as commercial air-conditioning motors, air-conditioning direct current motors and refrigerator compressor motors businesses, aiming to grow these categories into its major products in the next few years.

Our washing motors business will continue to expand its induction motor business to enhance economies of scale within the range under cost control. Meanwhile, the Group will increase its investment in the universal motors for tumble-type washing machines to step up with the development of high-end universal motors and the marketing of small universal motors for food processing. The Group will also advance the research and development of strategic products and step up with the marketing of new products such as three-phase converter motors and agitator motors, targeting to enlarge our market share in Europe and extend our presence to the American market.

In respect of its electronic and electric component business, the Group will focus on increasing its sales efforts in shaded pole motors, resistors and electronic ballasts while assuring its global leading position in microwave oven converters, aiming at growth in both the business scale and the profitability of the Group.

In the coming years, the Group will consolidate and expand its business in components for major electrical household appliances, as well as increase investment in the development of related products such as pump motors through industrial upgrades, business restructuring, acquisitions and technical cooperation. Meanwhile, the Group will also actively foster the casting and high precision process business through the entering into of a joint venture with Shanxi Linfen Huaxiang Industries Co., Ltd. in late 2008. With stringent risks control, the Group will continue to engage in technological innovation and development of new businesses, in order to achieve sustainable and healthy development.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the Year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the Year.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Code on Corporate Governance Practices (the “CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as its own code of corporate governance practices.

The Company has fully complied with all the code provisions set out in the CG Code throughout the Year.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group’s consolidated financial statements for the year ended 31 December 2008, including the accounting principles and policies adopted by the Group.

The figures set out in the annual results announcement of the Group for the year ended 31 December 2008 have been agreed by the Company’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements and consequently no assurance has been expressed by PricewaterhouseCoopers on the annual results announcement.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“Model Code”) as its code of conduct of the Company for Directors’ securities transactions. Having made specific enquiry with the Directors, all of the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the Year.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company’s website at <http://www.welling.com.cn> and the website of the Stock Exchange at www.hkexnews.hk. The 2008 Annual Report will be despatched to the shareholders of the Company on or about 22 April 2009 and will be available on the websites of the Company and the Stock Exchange at the same time.

LIST OF DIRECTORS

As at the date of this announcement, the Board comprises seven executive Directors, namely, Mr. CAI Qiwu (*Chairman*), Mr. JIANG Deqing (*Chief Executive Officer*), Mr. QU Fei, Mr. GAO Fazhong, Ms. YUAN Liqun, Mr. LI Jianwei and Mr. ZHENG Weikang; a non-executive Director, namely, Ms. TAN Xuemei, and three independent non-executive Directors, namely, Mr. CHAN Wai Dune, Mr. LAM Ming Yung and Ms. CHEN Chunhua.

On behalf of the Board
Welling Holding Limited
CAI Qiwu
Chairman

Hong Kong, 6 April 2009