

Contact: Shiu Ka Yue/ Lorna Wong/ Bonita Wong /Grace Ge Date: 6 April 2009

Tel: 28016239 (90291865/ 90868623/ 93057697/ 98289928) Pages: 4

### **WELLING REPORTED 12% INCREASE IN TURNOVER TO HK\$5,193 MILLION**

Welling Holding Limited (“Welling” or the “Company”, stock code: 00382) and its subsidiaries (together, the “Group”) reported a 12 per cent year-on-year increase in its turnover to HK\$5,193 million for the year ended 31 December 2008.

However, the Group’s margin and profitability was affected by the global economic recession and the gradual slowdown in the PRC’s economy since the last quarter of 2008. Profit attributable to the equity holders of the Company declined by 12 per cent to HK\$197 million from that of 2007. Earnings per share for 2008 were HK1.46 cents.

The Board of Directors resolved not to recommend the payment of a final dividend for the year ended 31 December 2008. (2007: nil).

After acquiring the business of motors for household appliances from its substantial shareholder, Midea Group Co., Ltd. (“Midea”) during the year, the Group becomes principally engaged in the manufacturing and distribution of motors for electrical household appliances, including air-conditioners, washing machines, dishwashers, water heaters, microwave ovens and refrigerators and electronic and electric components.

In the face of severe market environment, the Group had implemented a series of effective measures including stringent cost controls, stronger risk control and management, and efficiency enhancement through technology upgrades to sustain steady business growth. For 2008, the Group saw increases of 26 per cent and 25 per cent in the turnover of its washing motors business and electronic and electric components business respectively.

During the year under review, the three business segments of the Group comprised of air-conditioning motors, washing motors and electronic and electric components accounted for 52 per cent, 31 per cent and 15 per cent of the Group’s overall turnover respectively.

The PRC air-conditioner market was affected by the economic downturn and depressed real estate market. The sluggish domestic demand for air-conditioners coupled with worldwide economic downturn led to a decline of 8 per cent in the Group’s aggregate sales volume of air-conditioning motors to approximately 43,383,000 units for the year under review. For 2008, the Group’s domestic sales volume and export volume of air-conditioning motors amounted to approximately 35,524,000 units and approximately 7,859,000 units respectively. Turnover of air-conditioning motors for 2008 amounted to approximately HK\$2,703,149,000, representing a decrease of approximately 0.3 per cent when compared with that of the previous year. During the year, the Group increased its share in the market for motors for household air-conditioning by further developing its existing customer base. The Group also stepped up its effort to promote sales in commercial air-conditioning motors

and direct current motors and achieved sales growth for these products.

The Group's washing motors business continued to achieve strong growth and maintain leading position in the industry in 2008. Total sales volume of washing motors increased by approximately 24 per cent as compared to that of last year. The aggregate turnover of the washing motors business was approximately HK\$1,635,403,000, representing an increase of approximately 26 per cent from approximately HK\$1,297,495,000 of the previous year. The satisfactory performance was mainly attributable to the increased orders received from major customers as a result of the Group's aggressive marketing strategies. During the year under review, domestic sales volume of the Group's washing motors amounted to approximately 8,412,000 units, while export sales volume amounted to approximately 6,177,000 units.

With respect to its electronic and electric components business, the Group focused on building further cooperation with its major domestic and overseas clients and fine-tuning its product mix. The effect of these efforts was reflected in the sales growth of the Group's converters and resistors, which outperformed that of the industry, and satisfactory sales growth of the Group's shaded pole motors. Total sales volume and turnover of the electronic and electric components business amounted to approximately 27,746,000 units and HK\$798,202,000, representing increases of approximately 14 per cent and 25 per cent when compared with those of the previous year. During the year under review, domestic sales volume and export sales volume of electronic and electric components amounted to approximately 25,970,000 units and approximately 1,776,000 units respectively.

"Looking ahead, 2009 is likely to remain challenging. The Group will strive to improve its overall profitability by enhancing its product quality, strengthening the "Welling" brand presence and expanding its business operation as well as market share. The Group will develop relevant new products and continue to implement strategies of cost reduction and strengthen risk management. Through all these measures, we aim to become one of the world's best suppliers for parts and components of electrical household appliances," said Mr. Cai Qiwu, Chairman of Welling.

To consolidate its leading position in the global market for motors for household air-conditioning, the Group will augment its research and development capability as well as improve the production process of air-conditioning motors. The Group will improve its product mix by increasing investments in commercial air-conditioning motors, air-conditioning direct current motors and refrigerator compressor motors businesses.

With respect to washing motors business, the Group will continue to expand its induction motor business to enhance economies of scale. The Group will also step up its effort to promote new products such as three-phase converter motors and agitator motors, with which the Group aims to enlarge its market share in the European and the American markets.

For the electronic and electric component business, the Group aims to expand its business

and profitability by focusing on the marketing of shaded pole motors, resistors and electronic ballasts, while maintaining its global leading position in microwave oven converters.

Mr. Cai added: “The State’s policy of boosting domestic demand and granting of home appliance subsidies in rural areas will accelerate the development of rural markets and third/fourth-tier markets. The Group will seize every opportunity to increase its domestic sales.”

### About Welling Holding Limited

Hualing Holdings Limited became listed on the Main Board of the Stock Exchange of Hong Kong Limited in 1993. Following the acquisition of Welling Holding (BVI) Limited from its substantial shareholder, Midea Group Co., Ltd., the Company is principally engaged in manufacturing and distribution of motors and electronic and electric components for electrical household appliances, including air-conditioners, washing machines, dishwashers, water heaters, microwave ovens and refrigerators. The Company was renamed Welling Holding Limited. The motors manufactured by Welling are key components of white-goods products and are sold to leading international and PRC brands including Midea.

- End -

Issued by: Welling Holding Limited  
Through: CorporateLink Limited

## Welling Holding Limited

(Stock Code: 00382)

### A Summary of the Audited Condensed Consolidated Income Statement

For the year ended 31 December 2008

|  | 2008                  | Audited<br>2007        |
|--|-----------------------|------------------------|
|  | HK\$'000              | HK\$'000<br>(Restated) |
| <b>Continuing operations</b>   |                       |                        |
| Revenue  | 5,193,278             | 4,644,992              |
| Cost of goods sold   | <u>(4,655,951)</u>    | <u>(4,159,411)</u>     |
| <b>Gross profit</b>  | <b>537,327</b>        | 485,581                |
| <br>   |                       |                        |
| <b>Operating profit</b>  | <b>221,283</b>        | 225,944                |
| <br>   |                       |                        |
| <b>Profit before income tax</b>  | <b>192,414</b>        | 232,109                |
| Income tax expense   | <u>(28,810)</u>       | <u>(24,841)</u>        |
| <b>Profit for the year from continuing operations</b>  | <u><b>163,604</b></u> | <u>207,268</u>         |
| <br>   |                       |                        |
| <b>Profit for the year</b>   | <u><b>196,179</b></u> | <u>228,971</u>         |
| Attributable to  |                       |                        |
| <b>Equity holders of the Company</b>   | <b>196,877</b>        | 224,385                |
| Minority interests   | <u>(698)</u>          | <u>4,586</u>           |
|  | <u><b>196,179</b></u> | <u>228,971</u>         |
| <br>   |                       |                        |
| <b>Earnings per share</b> for profit attributable to the equity holders of the Company (expressed in HK cents per share) |                       |                        |
| - basic and diluted  | <u><b>1.46</b></u>    | <u>1.66</u>            |