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# Welling

## WELLING HOLDING LIMITED 威靈控股有限公司

*(incorporated in Hong Kong with limited liability)*  
(Stock Code: 382)

### CONNECTED TRANSACTION FORMATION OF A FINANCE COMPANY

The Board announces that on 23 April 2009, GD Welling entered into a Capital Contribution Agreement with Midea and GD Midea which sets out the terms of the establishment of the Finance Company and the rights and obligations of each of the JV Parties to the Finance Company. The initial registered capital of the Finance Company will be RMB500 million (approximately HK\$567,022,000), which shall be contributed by GD Welling, Midea and GD Midea as to RMB25 million (approximately HK\$28,351,000), RMB275 million (approximately HK\$311,862,000) and RMB200 million (approximately HK\$226,809,000) respectively. The Finance Company will be owned as to 5% by GD Welling, 55% by Midea and 40% by GD Midea.

GD Midea is an associate of Midea, the controlling shareholder of the Company, and therefore each of Midea and GD Midea is a connected person of the Company under the Listing Rules. As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the capital commitment of RMB25 million of GD Welling under the Capital Contribution Agreement is less than 2.5%, the transaction contemplated under the Capital Contribution Agreement constitutes a connected transaction of the Company under Rule 14A.32 of the Listing Rules and is exempted from the independent shareholders' approval requirements. Details of the transaction and the Capital Contribution Agreement will be included in the Company's next published annual report and accounts in accordance with Rules 14A.45 and 14A.46 of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the Capital Contribution Agreement was entered into after arm's length negotiations on normal commercial terms and the terms of the Capital Contribution Agreement are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

#### CAPITAL CONTRIBUTION AGREEMENT

The principal terms of the Capital Contribution Agreement are set out below:

Date : 23 April 2009

Parties : (i) GD Welling;  
(ii) Midea; and  
(iii) GD Midea

Proposed name of the Finance Company :	美的集團財務有限公司(Midea Group Finance Co., Ltd.*)								
Place of incorporation of the Finance Company:	The PRC								
Equity interest :	The equity interests in the Finance Company are to be held by the JV Parties as follows: - <table border="0" style="margin-left: 40px;"> <tr> <td>GD Welling</td> <td style="text-align: right;">5%</td> </tr> <tr> <td>Midea</td> <td style="text-align: right;">55%</td> </tr> <tr> <td>GD Midea</td> <td style="text-align: right;"><u>40%</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">100%</td> </tr> </table>	GD Welling	5%	Midea	55%	GD Midea	<u>40%</u>	Total	100%
GD Welling	5%								
Midea	55%								
GD Midea	<u>40%</u>								
Total	100%								
Registered capital:	<p>The initial registered capital of the Finance Company shall be RMB500 million (approximately HK\$567,022,000), which shall be contributed by GD Welling, Midea and GD Midea as to RMB25 million (approximately HK\$28,351,000), RMB275 million (approximately HK\$311,862,000) and RMB200 million (approximately HK\$226,809,000) respectively.</p> <p>Each of the JV Parties shall contribute their respective capital commitment in full within three months from the date of receiving approval from China Banking Regulatory Commission (“CBRC”) of the formation of the Finance Company. GD Welling’s capital commitment of RMB25 million (approximately HK\$28,351,000) shall be paid by the Company and it will be funded in cash from internal resources of the Group .</p> <p>As at the date of this announcement, none of the JV Parties has committed to provide any shareholders’ loan or further capital contribution to the Finance Company.</p>								
Scope of business:	<ul style="list-style-type: none"> <li>(i) provision of finance services and financing consultancy services, credit verification and related consultancy and agency services to member companies;</li> <li>(ii) provision of assistance to member companies in payment and receipt of transaction proceeds;</li> <li>(iii) provision of approved insurance agency services;</li> <li>(iv) provision of guarantees to member companies;</li> <li>(v) dealing with entrusted loans and entrusted investments among member companies;</li> <li>(vi) provision of bill acceptance and bill discount services to member companies;</li> <li>(vii) provision of intra-group transfer and settlement services to member companies, and liquidation planning;</li> <li>(viii) provision of deposit services to member companies;</li> <li>(ix) provision of loans and finance leasing services to member companies;</li> <li>(x) inter-bank borrowing and lending;</li> <li>(xi) other business as may be approved by the CBRC.</li> </ul>								

Board of directors:	The board of directors shall consist of five directors, which composition shall be approved by the shareholders of the Finance Company. The quorum for a directors' meeting shall be more than half of the members of the board.
Supervisor:	The supervisor shall be elected by shareholders of the Finance Company at shareholders' meeting.
Share of profits:	Distributable profits of the Finance Company shall be distributed in proportion to the equity interest held by each of the JV Parties in the Finance Company.
Voting rights:	Voting rights of the JV Parties shall be in proportion to their shareholding in the Finance Company.
Term :	Limited liability company in perpetuity

The establishment of the Finance Company is subject to the obtaining of the relevant approvals from the appropriate PRC authorities, including but not limited to the CBRC.

### **Transfer of equity interests**

Equity interests in the Finance Company may be transferred (in whole or in part) amongst the JV Parties. The disposal of any equity interest to a third party shall be subject to the consent of shareholder(s) holding majority of voting rights. A dissenting shareholder shall purchase such equity interest proposed to be disposed of, otherwise such dissenting shareholder shall be deemed to have consented to the disposal. Shareholders of the Finance Company have first right to purchase such equity interest on the same terms.

### **Termination**

The Finance Company shall not be established if: -

- (1) the relevant authority does not approve the Capital Contribution Agreement;
- (2) all JV parties determines not to establish the Finance Company; or
- (3) breach of the funding obligations by any of the JV Parties caused unsuccessful establishment of the Finance Company,

in which case the capital contributed shall be returned to the relevant JV Party and all expenses incurred shall be shared equally by the JV Parties. Capital contributed by the JV Party who is responsible for the unsuccessful establishment of the Finance Company shall not be returned until such JV Party has fulfilled all its outstanding legal obligations.

### **INFORMATION ABOUT THE COMPANY**

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

### **INFORMATION ABOUT MIDEA**

Midea is an investment holding company. The business of Midea and its subsidiaries (excluding the Group) includes investments in manufacturing and commercial sectors, domestic commerce, supply and marketing of goods and materials, provision of information and technology consultancy services, provision of investment advisory and consultancy services to enterprises, development of software and hardware of computers, installation, maintenance and after-sale services of electrical household appliances, and design of industrial products.

## **INFORMATION ABOUT GD MIDEA**

GD Midea is principally engaged in production, manufacturing and sale of electrical household appliances, communication devices and parts and components of the aforesaid products; provision of technology consultancy services of the above products, manufacturing of moulds and equipment; hotel management, sale of electronics appliances and general merchandises, export of self-made products and related technology of the company and its member companies, import of raw and supplementary materials, machinery and equipment, instruments, parts and components and related technology required for production and scientific research.

## **REASONS FOR, AND BENEFITS OF, THE CONNECTED TRANSACTION**

The investment of the Group through GD Welling in the Finance Company potentially increases options for financing for the Group so as to reduce the cost of funding. Besides, funding arrangement can be centrally controlled and managed through the Finance Company so as to enhance the efficiency of financing management and cost effectiveness of the use of funds of the Group.

## **LISTING RULES IMPLICATIONS**

GD Midea is an associate of Midea, the controlling shareholder of the Company, and therefore each of Midea and GD Midea is a connected person of the Company under the Listing Rules. As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the capital commitment of RMB25 million of GD Welling under the Capital Contribution Agreement is less than 2.5%, the transaction contemplated under the Capital Contribution Agreement constitutes a connected transaction of the Company under Rule 14A.32 of the Listing Rules and is exempted from the independent shareholders' approval requirements. Details of the transaction and the Capital Contribution Agreement will be included in the Company's next published annual report and accounts in accordance with Rules 14A.45 and 14A.46 of the Listing Rules.

All future transactions between the Finance Company and members of the Group would constitute connected transactions of the Company under the Listing Rules. If such transactions are entered into, the Company will comply with all applicable requirements regarding connected transactions under the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the Capital Contribution Agreement was entered into after arm's length negotiations on normal commercial terms and the terms of the Capital Contribution Agreement are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

## **DEFINITIONS**

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

“associate”	has the meaning ascribed to such term in the Listing Rules;
“Board”	means the board of Directors;
“Capital Contribution Agreement”	means the capital contribution agreement dated 23 April 2009 entered into between GD Welling, Midea and GD Midea which sets out the terms of the formation of the Finance Company and the rights and obligations of each of the JV Parties to the Finance Company;
“Company”	means Welling Holding Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code : 382);
“connected person(s)”	has the meaning ascribed to such term in the Listing Rules;

“controlling shareholder”	shall have the meaning ascribed to such term in the Listing Rules;
“Directors”	means the directors of the Company;
“Finance Company”	means the joint venture enterprise to be incorporated in the PRC and proposed to be named as “美的集團財務有限公司” (Midea Group Finance Co., Ltd.*), which will be owned as to 5% by GD Welling, 55% by Midea and 40% by GD Midea;
“GD Midea”	means 廣東美的電器股份有限公司(GD Midea Holding Co., Ltd.*), a limited company incorporated in the PRC and the shares of which are listed on the Shenzhen Stock Exchange, in which Midea has a 47.20% interest;
“GD Welling”	means 廣東威靈電機製造有限公司 (Guangdong Welling Motor Manufacturing Co., Ltd.*), a limited company incorporated in the PRC and a wholly-owned subsidiary of the Company;
“Group”	means the Company and its subsidiaries;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“JV Parties”	means collectively, GD Welling, Midea and GD Midea;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“Midea”	means 美的集團有限公司 (Midea Group Co., Ltd.*), a limited company incorporated in the PRC, which is the controlling shareholder of the Company holding approximately 74.97% of the issued share capital of the Company;
“PRC”	means the People’s Republic of China;
“Shareholder(s)”	means the holder(s) of the ordinary shares of the Company with a nominal value of HK\$0.1 each;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it in sections 2 and 2B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“HK\$”	means Hong Kong Dollars, the lawful currency of Hong Kong;
“RMB”	means Renminbi, the lawful currency of the PRC; and
“%”	means per cent.

*For illustration purposes in this announcement, the amounts in RMB are translated to HK\$ at the rate of RMB0.8818=HK\$1.00. No representation is made that any amount in RMB has been or could be converted at the above rate or at any other rates or at all.*

By order of the Board  
**Welling Holding Limited**  
**Tang Wai Ying, Tracy**  
*Company Secretary*

Hong Kong, 23 April 2009

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

*Executive Directors:* 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

*Non-executive Director:* Ms. Tan Xuemei

*Independent non-executive Directors:* Mr. Chan Wai Dune, Mr. Lam Ming Yung and Ms. Chen Chunhua

*\* for identification purposes only*