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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 2009

### 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 2009 (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 2008 (the “Previous Year”).

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

		Year ended 31 December	
		2009	2008
	Note	HK\$'000	HK\$'000
<b>Continuing operations:</b>			
Revenue	3	4,824,116	5,193,278
Cost of goods sold		<u>(4,124,667)</u>	<u>(4,655,951)</u>
<b>Gross profit</b>		<b>699,449</b>	537,327
Other gains/(losses) — net	4	39,717	(80,362)
Selling and marketing costs		(101,739)	(91,383)
Administrative expenses		<u>(200,507)</u>	<u>(144,299)</u>
<b>Operating profit</b>		<b>436,920</b>	221,283
Finance income	6	4,341	8,240
Finance costs	6	<u>(23,035)</u>	<u>(37,109)</u>
Finance costs — net	6	(18,694)	(28,869)
Share of profits of associates		<u>4,808</u>	<u>—</u>

		<b>Year ended 31 December</b>	
		<b>2009</b>	<b>2008</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit before income tax</b>		<b>423,034</b>	192,414
Income tax expense	7	<u>(69,259)</u>	<u>(28,810)</u>
<b>Profit for the year from continuing operations</b>		<b>353,775</b>	163,604
<b>Discontinued operations:</b>			
Profit for the year from discontinued operations		<u>—</u>	<u>32,575</u>
<b>Profit for the year</b>		<u><b>353,775</b></u>	<u>196,179</u>
<b>Attributable to:</b>			
Owners of the Company		353,775	196,877
Minority interests		<u>—</u>	<u>(698)</u>
		<u><b>353,775</b></u>	<u>196,179</u>
<b>Earnings per share for profit from continuing operations attributable to the owners of the Company, expressed in HK cents per share</b>			
— basic	8	<u><b>2.62</b></u>	<u>1.21</u>
— diluted	8	<u><b>2.61</b></u>	<u>1.21</u>
<b>Earnings per share for profit attributable to the owners of the Company, expressed in HK cents per share</b>			
— basic	8	<u><b>2.62</b></u>	<u>1.46</u>
— diluted	8	<u><b>2.61</b></u>	<u>1.46</u>

Details of proposed final dividend payable to owners of the Company are set out in note 9.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Year ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
<b>Profit for the year</b>	<b>353,775</b>	196,179
<b>Other comprehensive income:</b>		
Currency translation differences	<u>30</u>	<u>225</u>
<b>Other comprehensive income for the year, net of tax</b>	<u>30</u>	<u>225</u>
<b>Total comprehensive income for the year</b>	<u><b>353,805</b></u>	<u>196,404</u>
<b>Attributable to:</b>		
— Owners of the Company	<b>353,805</b>	197,102
— Minority interest	<u>—</u>	<u>(698)</u>
<b>Total comprehensive income for the year</b>	<u><b>353,805</b></u>	<u>196,404</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

		As at 31 December	
		2009	2008
	Note	HK\$'000	HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land and land use rights		124,496	127,436
Property, plant and equipment		699,543	571,345
Goodwill		22,408	22,410
Investments in associates		206,966	—
Deferred income tax assets		21,856	7,887
Available-for-sale financial assets		28,393	—
Prepayment for investments in associates		—	82,463
Prepayment for property, plant and equipment		3,816	22,392
		<u>1,107,478</u>	<u>833,933</u>
<b>Current assets</b>			
Inventories		669,192	243,888
Trade and other receivables	10	1,241,138	929,579
Due from related companies		1,248,138	1,074,328
Derivative financial instruments		25,708	—
Pledged bank deposits		49,081	61,020
Cash and cash equivalents		257,478	217,124
		<u>3,490,735</u>	<u>2,525,939</u>
<b>Total assets</b>		<u><b>4,598,213</b></u>	<u><b>3,359,872</b></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		1,347,931	1,347,931
Other reserves		272,043	227,921
Accumulated losses			
Others		(552,655)	(805,210)
Proposed final dividend	9	67,397	—
<b>Total equity</b>		<u><b>1,134,716</b></u>	<u><b>770,642</b></u>

	<b>As at 31 December</b>	
	<b>2009</b>	2008
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>

## **LIABILITIES**

### **Non-current liabilities**

Borrowings		<b>160,000</b>	60,000
Deferred income tax liabilities		<u>25,235</u>	<u>6,305</u>
		<u><b>185,235</b></u>	<u>66,305</u>

### **Current liabilities**

Trade and other payables	11	<b>2,598,798</b>	1,705,350
Due to related companies		<b>178,615</b>	174,032
Derivative financial instruments		<b>902</b>	30,635
Current income tax liabilities		<b>30,845</b>	1,300
Borrowings		<u>469,102</u>	<u>611,608</u>
		<u><b>3,278,262</b></u>	<u>2,522,925</u>

### **Total liabilities**

	<u><b>3,463,497</b></u>	<u>2,589,230</u>
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### **Total equity and liabilities**

	<u><b>4,598,213</b></u>	<u>3,359,872</u>
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### **Net current assets**

	<u><b>212,473</b></u>	<u>3,014</u>
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### **Total assets less current liabilities**

	<u><b>1,319,951</b></u>	<u>836,947</u>
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Notes:

## 1. GENERAL INFORMATION

Welling Holding Limited (the “Company”) and its subsidiaries (together the “Group”) manufacture, distribute and sell motors and electronic and electric components for electrical household appliances and trade raw materials in the People’s Republic of China (the “PRC”) and overseas.

The Company 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.

These financial statements have been approved for issue by the Board of Directors on 29 March 2010.

## 2. BASIS OF PREPARATION

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

These consolidated financial statements have also been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“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).

### Changes in accounting policy and disclosures

#### (a) *New and amended standards adopted by the Group*

The Group has adopted the following new and amended HKFRSs as of 1 January 2009:

- HKFRS 7 ‘Financial Instruments — Disclosures’ (amendment) — effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.
- HKAS 1 (revised) ‘Presentation of financial statements’ — effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- HKFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company has adopted HKFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group's or Company's financial statements.
- HKFRS 8, 'Operating segments' (effective 1 January 2009). HKFRS 8 replaces HKAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has no impact on the Group's financial statements, as the Group has already been using principles, which are presentation of HKFRS 8, in presenting segment information of the Group.

### **3. SEGMENT INFORMATION**

The principal activities of the Group are manufacturing, distribution and selling of motors and electronic and electric components for electrical household appliance and trading raw materials in the PRC and overseas.

In accordance with the Group's internal financial reporting provided to the chief operating decision-maker, the board of directors, who is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the management considers the business from both product and geographic perspective.

## Primary reporting format — business segments

The segment information for the year ended 31 December 2009 are as follows:

	Micro motors business <i>HK\$'000</i>	Washing motors business <i>HK\$'000</i>	Electronic and electric components business <i>HK\$'000</i>	Raw material business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	The Group Total <i>HK\$'000</i>
Gross segment revenue	2,445,370	1,695,186	681,706	1,943,627	—	6,765,889
Inter-segment revenue	<u>(1,098)</u>	<u>(846)</u>	<u>(2,231)</u>	<u>(1,937,598)</u>	<u>—</u>	<u>(1,941,773)</u>
Revenue (from external customers)	2,444,272	1,694,340	679,475	6,029	—	4,824,116
Operating profit/(loss)	199,492	192,748	44,730	17,058	(17,108)	436,920
Finance costs	(6,489)	(1,850)	—	(12,950)	(1,746)	(23,035)
Finance income	<u>2,784</u>	<u>1,537</u>	<u>16</u>	<u>1</u>	<u>3</u>	<u>4,341</u>
Finance (cost)/income — net	<u>(3,705)</u>	<u>(313)</u>	<u>16</u>	<u>(12,949)</u>	<u>(1,743)</u>	<u>(18,694)</u>
Share of profits of associates	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,808</u>	<u>4,808</u>
Profit/(loss) before income tax	195,787	192,435	44,746	4,109	(14,043)	423,034
Income tax expense	<u>(28,266)</u>	<u>(20,260)</u>	<u>(3,635)</u>	<u>(1,532)</u>	<u>(15,566)</u>	<u>(69,259)</u>
Profit/(loss) for the year	<u>167,521</u>	<u>172,175</u>	<u>41,111</u>	<u>2,577</u>	<u>(29,609)</u>	<u>353,775</u>
Segment assets	2,149,876	1,481,234	386,572	349,854	1,855	4,369,391
Deferred income tax assets						21,856
Investments in associates						<u>206,966</u>
Total assets						<u>4,598,213</u>
Segment liabilities	1,562,746	1,272,586	263,317	337,580	2,033	3,438,262
Deferred income tax liabilities						<u>25,235</u>
Total liabilities						<u>3,463,497</u>
Addition of property, plant and equipment and leasehold land and land use right	139,205	78,127	7,786	—	6	225,124
<b>Material non-cash expenses/ (income)</b>						
Depreciation and amortisation	40,012	29,194	9,231	—	54	78,491
(Reversal)/provision for inventory obsolescence	(902)	274	(105)	(609)	—	(1,342)
Provision/(reversal) for impairment of trade and other receivables	1,496	1,751	(685)	—	—	2,562
Fair value gain on derivative financial instruments	<u>(4,661)</u>	<u>(20,126)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(24,787)</u>

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

	Micro motors business HK\$'000	Washing motors business HK\$'000	Electronic and electric components business HK\$'000	Raw material business HK\$'000	Unallocated HK\$'000	The Group	
						Continuing operations Total HK\$'000	Discontinued operations HK\$'000
Gross segment revenue	2,745,023	1,643,342	813,638	1,702,021	—	6,904,024	1,308,055
Inter-segment revenue	<u>(41,874)</u>	<u>(7,939)</u>	<u>(15,436)</u>	<u>(1,645,497)</u>	<u>—</u>	<u>(1,710,746)</u>	<u>—</u>
Revenue (from external customers)	2,703,149	1,635,403	798,202	56,524	—	5,193,278	1,380,055
Operating profit/(loss)	71,456	116,202	27,633	9,020	(3,028)	221,283	44,628
Finance costs	(23,426)	(5,278)	(3,046)	(8,938)	3,579	(37,109)	(13,578)
Finance income	<u>5,832</u>	<u>1,771</u>	<u>214</u>	<u>124</u>	<u>299</u>	<u>8,240</u>	<u>2,150</u>
Finance (costs)/income — net	<u>(17,594)</u>	<u>(3,507)</u>	<u>(2,832)</u>	<u>(8,814)</u>	<u>3,878</u>	<u>(28,869)</u>	<u>(11,428)</u>
Profit before income tax	53,862	112,695	24,801	206	850	192,414	33,200
Income tax expense	<u>(5,560)</u>	<u>(13,790)</u>	<u>(2,943)</u>	<u>(268)</u>	<u>(6,249)</u>	<u>(28,810)</u>	<u>(625)</u>
Profit/(loss) for the year	<u>48,302</u>	<u>98,905</u>	<u>21,858</u>	<u>(62)</u>	<u>(5,399)</u>	<u>163,604</u>	<u>32,575</u>
Segment assets	1,645,625	945,979	292,076	266,088	119,754	3,269,522	—
Deferred income tax assets						7,887	—
Prepayment for investments in associates						<u>82,463</u>	<u>—</u>
Total assets						<u>3,359,872</u>	<u>—</u>
Segment liabilities	1,365,236	710,152	195,199	242,813	69,525	2,582,925	—
Deferred income tax liabilities						<u>6,305</u>	<u>—</u>
Total liabilities						<u>2,589,230</u>	<u>—</u>
Addition of property, plant and equipment and leasehold land and land use right	112,514	172,799	11,440	—	7	296,760	57,708
<b>Material non-cash expenses/ (income)</b>							
Depreciation and amortisation	30,160	18,670	8,235	1	41	57,107	15,586
(Reversal)/provision for inventory obsolescence	(65)	462	(731)	603	—	269	151
(Reversal)/provision for impairment of trade and other receivables	(1,674)	(1,148)	(1,058)	—	—	(3,880)	12,778
Impairment charge on property, plant and equipment	—	—	—	—	—	—	92
Fair value loss on derivative financial instruments	18,389	12,246	—	—	—	30,635	—
Fair value gain on investment properties	—	—	—	—	—	—	(2,198)
Provision of warranty	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>38,129</u>

## Secondary reporting format — geographical segments

The Group is domiciled in the PRC. The Group's revenue from external customers located in PRC and outside PRC are presented as follows:

For the year ended 31 December 2009	Micro motors business <i>HK\$'000</i>	Washing motors business <i>HK\$'000</i>	Electronic and electric components business <i>HK\$'000</i>	Raw material business <i>HK\$'000</i>	The Group Total <i>HK\$'000</i>
Revenue from external customers in PRC	2,027,556	912,658	637,703	6,029	3,583,946
Revenue from external customers outside PRC	<u>416,716</u>	<u>781,682</u>	<u>41,772</u>	—	<u>1,240,170</u>
	<u><u>2,444,272</u></u>	<u><u>1,694,340</u></u>	<u><u>679,475</u></u>	<u><u>6,029</u></u>	<u><u>4,824,116</u></u>

For the year ended 31 December 2008	Micro motors business <i>HK\$'000</i>	Washing motors business <i>HK\$'000</i>	Electronic and electric components business <i>HK\$'000</i>	Raw material business <i>HK\$'000</i>	The Group	
					Continuing operations Total <i>HK\$'000</i>	Discontinued operations <i>HK\$'000</i>
Revenue from external customers in PRC	2,142,381	813,544	723,132	56,524	3,735,581	1,146,717
Revenue from external customers outside PRC	<u>560,768</u>	<u>821,859</u>	<u>75,070</u>	—	<u>1,457,697</u>	<u>233,338</u>
	<u><u>2,703,149</u></u>	<u><u>1,635,403</u></u>	<u><u>798,202</u></u>	<u><u>56,524</u></u>	<u><u>5,193,278</u></u>	<u><u>1,380,055</u></u>

No geographical segment analysis on non-current assets other than financial instruments, deferred income tax assets is prepared as substantially all of the Group's assets were located in the PRC.

#### 4. OTHER GAINS/(LOSSES) — NET

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Government grants (i)	5,272	1,413
Derivative financial instruments:		
— fair value gain/(losses) on commodity future contracts not qualified for hedge accounting	21,253	(22,862)
— fair value gain/(losses) on foreign exchange forward contracts not qualified for hedge accounting	3,534	(7,773)
— realised gain/(loss) on commodity future contracts (ii)	25,267	(35,957)
— realised gain on foreign exchange forward contracts (iii)	370	25,770
Exchange loss	(5,498)	(44,807)
Loss on disposal of property, plant and equipment	(12,760)	(2,907)
Penalty income	1,408	2,423
Others	<u>871</u>	<u>4,338</u>
	<u><u>39,717</u></u>	<u><u>(80,362)</u></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 copper and aluminum future contracts to manage the fluctuation of commodity price which did not meet the criteria for hedge accounting. Realised gain on commodity future contracts amounted to HK\$25,267,000 represented the gain relating to the copper and aluminum future contracts settled during the year (2008: realised loss HK\$35,957,000).
- (iii) 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\$370,000 (2008: HK\$25,770,000).

## 5. EXPENSES BY NATURE

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

	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories recognised as expense	<b>3,607,671</b>	4,451,476
Employee benefit expenses	<b>414,145</b>	347,444
Depreciation	<b>75,568</b>	54,909
Professional fee and printing cost related to the Transaction	—	631
Provision/(reversal) for impairment of trade and other receivables	<b>2,562</b>	(3,880)
(Reversal)/provision for inventory obsolescence	<b>(1,342)</b>	269
Operating leases rental for land and buildings	<b>2,765</b>	2,362
Auditors' remuneration	<b>3,171</b>	4,687
Research and development costs	<b>4,171</b>	3,458

## 6. FINANCE COSTS — NET

	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense	<b>(22,869)</b>	(42,461)
Exchange (loss)/gain — net	<b>(166)</b>	5,352
Finance cost	<b>(23,035)</b>	(37,109)
Finance income — interest income on bank deposit	<b>4,341</b>	8,240
Net finance costs	<b>(18,694)</b>	(28,869)

## 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.

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current tax		
— PRC corporate income tax	<u>64,303</u>	<u>30,392</u>
Deferred tax		
— Deferred tax assets recognised	(13,959)	(7,887)
— Deferred tax liabilities recognised	<u>18,915</u>	<u>6,305</u>
	<u>4,956</u>	<u>(1,582)</u>
Income tax expense	<u><u>69,259</u></u>	<u><u>28,810</u></u>

## 8. 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.

	2009	2008
<b>Continuing operations</b>		
Profit for the year from continuing operations attributable to owners of the Company ( <i>HK\$'000</i> )	353,775	163,604
Weighted average number of ordinary shares for the purposes of basic earnings per share ( <i>'000 shares</i> )	13,479,314	13,479,314
Basic earnings per share ( <i>HK cents</i> )	<u><u>2.62</u></u>	<u><u>1.21</u></u>
<b>Discontinued operations</b>		
Profit for the year from discontinued operations attributable to owners of the Company ( <i>HK\$'000</i> )	—	33,273
Weighted average number of ordinary shares for the purposes of basic earnings per share ( <i>'000 shares</i> )	—	13,479,314
Basic earnings per share ( <i>HK cents</i> )	<u><u>—</u></u>	<u><u>0.25</u></u>
Profit for the year attributable to owners of the Company ( <i>HK\$'000</i> )	353,775	196,877
Weighted average number of ordinary shares for the purposes of basic earnings per share ( <i>'000 shares</i> )	13,479,314	13,479,314
Basic earnings per share ( <i>HK cents</i> )	<u><u>2.62</u></u>	<u><u>1.46</u></u>

(b) Diluted

For the year ended 31 December 2009, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are performance-based share options. For the share options, a calculation is done to determine the number of shares that could have been issued based on the attainment of the performance target at the end of the year. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the year ended 31 December 2008, the outstanding share options granted by the Company has no dilutive effect.

	2009	2008
<b>Continuing operations</b>		
Profit for the year from continuing operations attributable to owners of the Company ( <i>HK\$'000</i> )	<u>353,775</u>	<u>163,604</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share ( <i>'000 shares</i> )	13,479,314	13,479,314
Adjustments for share options ( <i>'000 shares</i> )	<u>85,343</u>	<u>—</u>
	13,564,657	13,479,314
Diluted earnings per share ( <i>HK cents</i> )	<u><u>2.61</u></u>	<u><u>1.21</u></u>
<b>Discontinued operations</b>		
Profit for the year from discontinued operations attributable to owners of the Company ( <i>HK\$'000</i> )	<u>—</u>	<u>33,273</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share ( <i>'000 shares</i> )	—	13,479,314
Adjustments for share options ( <i>'000 shares</i> )	<u>—</u>	<u>—</u>
	—	13,479,314
Diluted earnings per share ( <i>HK cents</i> )	<u><u>—</u></u>	<u><u>0.25</u></u>
Profit for the year attributable to owners of the Company ( <i>HK\$'000</i> )	<u>353,775</u>	<u>196,877</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share ( <i>'000 shares</i> )	13,479,314	13,479,314
Adjustments for share options ( <i>'000 shares</i> )	<u>85,343</u>	<u>—</u>
	13,564,657	13,479,314
Diluted earnings per share ( <i>HK cents</i> )	<u><u>2.61</u></u>	<u><u>1.46</u></u>

## 9. DIVIDEND

	2009 HK\$'000	2008 HK\$'000
Proposed final dividend, of HK0.5 cent (2008: nil) per ordinary share	<u>67,397</u>	<u>—</u>

At a meeting held on 29 March 2010, the Directors proposed a final dividend of HK0.5 cent per ordinary share. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements.

## 10. TRADE AND OTHER RECEIVABLES

	2009 HK\$'000	2008 HK\$'000
Trade receivables ( <i>Note (a)</i> )	471,640	407,876
Less: provision for impairment	<u>(23,353)</u>	<u>(18,818)</u>
Trade receivables — net	448,287	389,058
Notes receivable ( <i>Note (a)</i> )	404,349	394,629
Prepayments and other receivables	357,577	211,794
Less: provision for impairment of other receivables	(445)	(89)
Prepaid value-added tax — net	<u>35,186</u>	<u>39,042</u>
	1,244,954	1,034,434
Less: non-current portion:		
— Prepayment for investments in associates	—	(82,463)
— Prepayment for property, plant and equipment	<u>(3,816)</u>	<u>(22,392)</u>
	<u>1,241,138</u>	<u>929,579</u>

As at 31 December 2009 and 2008, the fair values of trade and other receivables of the Group and the Company approximate their carrying amounts.

*Note:*

- (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 2009 and 2008, the ageing analysis of the gross trade receivables and notes receivable respectively are as follows:

<b>Gross trade receivables:</b>	2009 HK\$'000	2008 HK\$'000
Within 3 months	437,480	355,331
3 to 6 months	25,672	51,713
Over 6 months	<u>8,488</u>	<u>832</u>
	<u>471,640</u>	<u>407,876</u>
<b>Notes receivables:</b>	2009 HK\$'000	2008 HK\$'000
Within 3 months	184,709	192,752
3 to 6 months	<u>219,640</u>	<u>201,877</u>
	<u>404,349</u>	<u>394,629</u>

## 11. TRADE AND OTHER PAYABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade payables ( <i>Note (a)</i> )	1,932,767	1,202,757
Notes payable ( <i>Notes (a),(b)</i> )	<u>399,944</u>	<u>369,342</u>
	<b>2,332,711</b>	1,572,099
Provision for staff welfare and bonus	79,884	44,824
Accruals	32,875	13,046
Advances from customers	12,882	6,136
Others	<u>140,446</u>	<u>69,245</u>
	<b><u>2,598,798</u></b>	<b><u>1,705,350</u></b>

*Notes:*

- (a) At 31 December 2009, the ageing analysis of the trade payables and notes payable of the Group was as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within 3 months	1,582,283	828,682
3 to 6 months	691,986	607,377
Over 6 months	<u>58,442</u>	<u>136,040</u>
	<b><u>2,332,711</u></b>	<b><u>1,572,099</u></b>

- (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 2009, certain notes payable were pledged by bank deposits of approximately HK\$141,127,000 (2008: HK\$145,698,000).

## 12. COMMITMENTS

### (a) Capital commitments

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Contracted but not provided for		
— purchases of property, plant and equipment	35,396	87,455
— investments in associates	<u>—</u>	<u>119,718</u>
	<b><u>35,396</u></b>	<b><u>207,173</u></b>

### (b) Operating lease commitments — the Group as the lessee

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Not later than one year	1,580	1,419
Later than one year and not later than five years	<u>1,120</u>	<u>2,101</u>
	<b><u>2,700</u></b>	<b><u>3,520</u></b>

## **DIVIDEND**

The Directors recommended the payment of a final dividend of HK0.5 cent per ordinary share for the Year to the shareholders of the Company whose names appear on the register of members of the Company on 18 May 2010. Subject to the approval from shareholders of the Company at the Annual General Meeting to be held on 18 May 2010, the proposed final dividend will be paid on 3 June 2010.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 13 May 2010 to 18 May 2010, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend and the entitlement to attend and vote at the Annual General Meeting of the Company to be held on 18 May 2010, all share certificates with completed transfer form must be lodged with the share registrars of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 12 May 2010.

## **ANNUAL GENERAL MEETING**

The Annual General Meeting will be held at Beijing Suite III, 3/F, Prince Hotel, Harbour City, 23 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on 18 May 2010 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 Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk), and despatched to the shareholders of the Company on or about 12 April 2010.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

The Group's profit attributable to the owners of the Company and earnings per share for the year ended 31 December 2009 amounted to approximately HK\$353,775,000 (2008: approximately HK\$196,877,000) and HK2.62 cents (2008: HK1.46 cents) respectively. The substantial increase in profit was mainly attributable to the cost-saving policies adopted by the Group coupled with the higher proportion of self-made key components, which resulted a reduction in overall cost of sales. For the year ended 31 December 2009, the Group recorded a turnover of approximately HK\$4,824,116,000 (2008: approximately HK\$5,193,278,000). The Group's gross profit margin was approximately 14.5% (2008: approximately 10.3%). Net asset value per share of the Group was HK8.4 cents as at 31 December 2009 (2008: HK5.7 cents).

### **Analysis of Major Business Operations**

The PRC economy started to rebound since the second quarter of 2009 and concluded the year with a GDP growth of 8.7%. In the aftermath of the US financial crisis, China successfully mitigated the impact of drastic shrinkage in export sales and maintained stable macro-economic conditions by adopting an expansionary fiscal policy and an easing monetary policy. With improved market sentiments, consumer spendings and corporate investments revived. Domestic home appliance consumption sustained stable growth during the year, on the back of real demand in the market. Consumption was also driven by favourable government policies and measures with an aim to encourage retail consumption, increase social security contributions and improve farmers' income. Policies such as "Home Appliances Subsidy

Policy for Rural Areas”, “Home Appliances Replacement Subsidy Policy” and “Subsidy for Energy Efficient Appliances” have played an important role in driving demand and facilitating structural adjustments.

In 2009, the Group directed its efforts towards sales volume growth, stringent control over inventory, receivables and cash flow as well as cost control optimisation in pursuit of its business objectives to “drive growth, sustain profit and contain risks”. The Group operated under sound business conditions throughout the year and sustained rapid year-on-year growth in the production and sales of its principal products. Air-conditioning motors enjoyed rising profitability, and strong growth was also reported for wave-wheel washing motors. Our initiatives in product mix adjustment and cost reduction were paid off, while the market position of our principal products was further enhanced. In connection with high-end strategic products, breakthrough in terms of commercial production and market entry has been achieved for commercial air-conditioning motors, energy-saving refrigerator compressor motors, direct current motors and high-speed series motors, which will form a new niche for profit growth of the Company in the coming years. Meanwhile, further inroads were made in product diversification with the development of other strategic products. For the micro motors business, resources integration for the Shunde production base and the Wuhu production base has continued. With effective implementation of production streamlining and capacity upgrade, the Company’s manufacturing capability and standard were significantly improved. For the washing motors business, vigorous efforts were made to optimise process set-up and achieve lean production so that our production capability of self-made key components could be enhanced. Moreover, in 2009, we took full advantage of our scale and manufacturing strengths to step up with the development of high-end strategic products, cultivate key technologies, recruit talents for core positions and strengthen our presence in the American market as part of our efforts to ensure sustainable and stable development.

#### *(1) Micro Motors Business*

Demand for household air-conditioners and commercial air-conditioners declined substantially during the first half of 2009 as a result of the global economic crisis. Sentiments in the air-conditioning market started to improve, however, when the PRC government launched a string of stimulus policies such as “Home Appliances Subsidy Policy for Rural Areas”, “Home Appliances Replacement Subsidy Policy” and “Subsidy for Energy Efficient Appliances” in the latter half of the year, while the prolonged hot weather in most regions of the country and the property market boom were also favourable to a pick-up in demand. For the year, sales of the household air-conditioners in PRC was 65,740,000 units (Source: [www.chinaIOL.com](http://www.chinaIOL.com)), representing a year-on-year increase of 0.61%. Meanwhile, the decline in sales of commercial air-conditioners was curbed in the second half of the year. The refrigerator industry also benefited from the PRC macro-economic stimulus policies. Second- and third-tier markets grew rapidly with a significant increase in overall market demand.

For the micro motors business, the Group recorded approximately 45,037,000 units of domestic sales and 7,134,000 units of export sales of micro motors for the year ended 31 December 2009. The aggregate sales volume increased by 20% as compared to the same period last year, which was higher than the overall increase rate of the industry. The micro motors business recorded a turnover of HK\$2,444,272,000 for the full year of 2009, which represented a decrease of approximately 9.6% as compared to HK\$2,703,149,000 for the same period in 2008. The decrease in turnover was attributable to the drop in the unit prices of products, which was in tandem with the substantial decline in bulk purchase

prices of raw materials. Profit for the micro motors business during 2009 amounted to HK\$167,521,000 which was approximately 246.8% higher as compared to HK\$48,302,000 recorded for the same period in 2008.

In 2009, the development strategy of the micro motors business was further refined with refrigerator compressor motors, commercial air-conditioning motors and direct current motors being confirmed as three core strategic products. In particular, our commercial air-conditioning motors received accreditation for sale in the North American market and an office in America was set up in connection with our move to tap the American commercial motors market. These products are expected to form a new niche for the Company's profit growth in the coming years. In the refrigerator compressor motors business, we were striving to further deepen and strengthen strategic ties with leading enterprises in the industry, in order to enhance sales and sustain strong growth in the coming years. In the direct current motors business, the Group seized opportunities presented by market requirements for the upgrade and replacement of home appliances. Breakthrough in our relationships with key customers paved the way for future development thanks to vigorous marketing efforts, enhanced research and development and introduction of advanced manufacturing equipment. The manufacturing capability and production efficiency of the enterprise was significantly enhanced by adoption of lean production process, improving in manufacturing standards and integration of manufacturing resources of the Shunde and Wuhu bases. The technology development standard raised with the recruitment of more high-calibre personnel with sound knowledge in research and development as well as the optimisation of the composition of our technical staff. Our overall management standards and competitive strengths were enhanced through stringent cost control, reinforced internal control management, operations risk prevention, encouraged innovation and enhancement in staff expertise and efficiency. The volume of sales of household air-conditioning motors grew significantly in 2009, reflecting the combined effect of deepened relationship with existing customers and further exploration of new customers. Remarkable achievements were attained in the marketing development of these three core strategic products, which were ideally positioned to become the principal products of the micro motors business and to contribute significantly to the Company's profit growth in the coming years.

## (2) *Washing Motors Business*

Export sales of washing machines in PRC were adversely affected by the unfavourable market conditions in 2009 with a decrease of 5.05% when compared with the same period last year (Source: [www.chinaIOL.com](http://www.chinaIOL.com)), in particular, the European market has been affected the most. In the domestic market, the performance of the washing machine industry remained relatively stable with aggregate sales for 2009 increased by approximately 5.46% (Source: [www.chinalOL.com](http://www.chinalOL.com)) when compared with the same period last year, as the effects of the macro-economic policies of the PRC government started to materialise, while sales benefited from the cycle of product replacement and upgrade for domestic washing machines and were well supported by the growing maturity of the second- and third-tier domestic markets.

In 2009, the Group recorded approximately 13,431,000 units of domestic sales and approximately 7,415,000 units of export sales for its washing motors. Total sales volume grew approximately 43% as compared to the same period last year. In response to the change of market demand and the adjustment of internal marketing strategies, the product mix of washing motors sales was changed. In 2009, the sales volume of wave-

wheel washing motors increased by over 90% while the sales volume of tumble-type washing motors decreased by approximately 2%. The Group started to manufacture small series motors for food processing during the first half of 2009 and achieved sales of more than 1 million units. Despite significant growth in the overall sales volume of washing motors for 2009, the aggregate turnover for the washing motors business increased by approximately 3.6% (approximately HK\$1,635,403,000 for the same period in 2008) to approximately HK\$1,694,340,000, as a result of the change in the composition of product sales and the drop in selling price in tandem with the substantial decline in the bulk purchase prices of raw materials as compared to 2008. Profit for the washing motors business during 2009 amounted to HK\$172,175,000, which was approximately 74.1% higher as compared to HK\$98,905,000 recorded for the same period in 2008.

The overall production efficiency of the washing motor business was significantly improved in 2009 thanks to the adoption of a strategy underpinned by in-depth development, technological innovation and cost control optimisation. Product competitiveness was further enhanced through the adoption of a lean production process and a higher proportion of self-made key components. Further economies of scales were achieved and profitability was considerably enhanced through the development of new products, timely adjustment of product mix, enhancement of product quality and swift upgrade of production capacity. The washing motor business established offices in Europe and America in 2009 in order to secure further businesses with major customers and to develop the European and American markets more intensively. The Group's leading position in the washing motors business was reinforced with continued substantial growth in the sales of washing motors for the year. We also maintained our leading position in the domestic market for series motors for washing machines.

### *(3) Electronic and Electric Components Business*

In 2009, the export sales volume of microwave ovens decreased by 14.3% as compared to the same period last year under the impact of the global financial crisis. Nevertheless, domestic sales increased by 32% over the same period in 2008 (Source: [www.chinaIOL.com](http://www.chinaIOL.com)), as a result of the implementation of macro-economic policies in PRC and further realization of the effect of industry integration. The Group recorded 28,897,000 units of sales of its electronic and electric components for the full year, comprising approximately 27,772,000 units in domestic sales and approximately 1,125,000 units in export sales, representing a 4% increase in total as compared to the same period in 2008. Furthermore, the unit prices of products dropped in tandem with the substantial decline in bulk purchase prices of raw materials in the first half of the year. Turnover for electronic and electric components amounted to HK\$679,475,000 which was 14.9% lower as compared to HK\$798,202,000 recorded for the same period in 2008. Profit for electronic and electric components during 2009 amounted to HK\$41,111,000 which was approximately 88.1% higher as compared to HK\$21,858,000 recorded for the same period in 2008.

To cope with the adverse impact of the financial crisis, measures to strengthen operating risk control, optimise product mix, improve production processes, enhance cost control and upgrade product quality were adopted for the electronic and electric components business. Cost reductions were achieved through the adoption of a lean production process, the increase in the proportion of self-made key components and domestic production of parts and components.

## Financial Review

### *Liquidity and Financial Resources*

The Group has maintained a healthy financial and liquidity position with a current ratio of 106% as at 31 December 2009 (2008: 100%). As at 31 December 2009, the Group had a cash and cash equivalents of approximately HK\$257,478,000 (2008: approximately HK\$217,124,000) and the bank borrowings of approximately HK\$629,102,000 (2008: approximately HK\$671,608,000), of which approximately HK\$469,102,000 would be due within one year and approximately HK\$160,000,000 would be due over one year.

### *Financial Ratios*

The following are certain financial ratios of the Group as at the statement of financial position date:

	<b>31 December 2009</b>	31 December 2008
Inventories turnover ( <i>Note 1</i> )	<b>40 days</b>	28 days
Current ratio ( <i>Note 2</i> )	<b>1.06 time</b>	1.00 time
Gearing ratio ( <i>Note 3</i> )	<b><u>0.28 time</u></b>	<u>0.51 time</u>

#### *Note:*

1. Inventories turnover is based on the average of the opening inventory and closing inventory, divided by cost of good sold of the year, and multiplied by total number of days for the year.
2. Current ratio is based on year-end current assets divided by year-end current liabilities.
3. Gearing ratio is based on net debt divided by total equity. Net debt is calculated as total borrowings (including borrowings as shown in the statement of financial position) less cash and cash equivalents and pledged bank deposits.

### *Pledge of Assets*

As at 31 December 2009, short-term borrowings of the Group were secured by certain property with net book value of approximately HK\$125,081,000 (2008: approximately HK\$133,229,000) and certain leasehold land and land use rights with net book value of approximately HK\$84,026,000 (2008: approximately HK\$85,965,000) of the Group.

### *Contingent Liabilities*

As at 31 December 2009, the Group did not have any material contingent liability.

### *Capital Expenditure*

For the year ended 31 December 2009, the Group has invested approximately HK\$225,124,000 (2008: approximately HK\$354,468,000) in the addition of property, plant and equipment, leasehold land and land use rights.

### *Derivative Financial Instruments*

As at 31 December 2009, the Group's outstanding derivative financial assets and liabilities under various copper and aluminium future contracts and foreign exchange forward contracts amounted to approximately HK\$25,708,000 and HK\$902,000, respectively (2008: derivative financial liabilities of approximately HK\$30,635,000).

### *Exposure to Exchange Rate Fluctuations*

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 foreign exchange forward contracts to hedge foreign exchange exposure for certain export trading. 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.

### *Capital Commitments*

As at 31 December 2009, the Group has contracted capital commitments in respect of the purchase of property, plant and equipment amounting to approximately HK\$35,396,000 (2008: approximately HK\$207,173,000).

### **Human Resources**

As at 31 December 2009, the Group had approximately 11,770 full time employees in Hong Kong and the PRC. While the Company was supported by a team of young and high-calibre staff team, it also places strong emphasis on the development, management and planning of human resources, with a view to enhancing employee contributions to the Group and forging strategic advantages in human resources by adopting an open, fair and equitable policy on staff selection and deployment and implementing proper human resources management.

The Group has adopted a share option scheme to motivate employees by linking their interests to the future development and expansion of the Group.

The Group currently provides staff with competitive remuneration packages (comprising salary, bonus and benefits), insurance (comprising pension, medical insurance, unemployment insurance and insurance for labour injury) and housing fund. In addition, the Group also provides other benefits, including meal subsidies, housing subsidies, cooperative medical services, assistance fund and group activities.

### **Business Prospect**

Domestic sales of household appliances are expected to maintain steady growth in 2010 and beyond, given strong support afforded by ongoing urbanisation in the PRC, per capita income growth and improvement in housing conditions. As PRC household appliances are highly complementary to the product structure of many developed as well as developing countries, our comparative advantage is significant. Following the recovery of the world economy, the export of China-made household appliances will rebound in 2010. There are potential threats and interrelated risk factors in the process of industry recovery, such as the USD exchange rate, trends in bulk purchase prices, interim fiscal and monetary policies and their anticipated effect on inflation, the emergence of protectionism, etc. Nevertheless, with the rapid growth of

the rural household appliance market driven by the “Home Appliances Subsidy Policy for Rural Areas”, and the substantial progress of the “Home Appliances Replacement Subsidy Policy” and the “Subsidy for Energy Efficient Appliances”, policy-driven effects will be more obvious in 2010 and the potential of domestic consumption will be further realised, especially in the rural market. As market expansion is expected to continue and development prospects remain sound, the micro motor sector will sustain growth given increasing demand for end-products and industrial upgrade. The theme of the industry will be technology innovation and customization.

To grasp the opportunities come out from the PRC government’s promotion of energy conservation and product upgrade and replacement, the Group will continue to focus on its micro motors business, emphasising technology innovation and recruitment, internal training and promotion of key technical personnel coupled with in-depth production streamlining and optimisation of cost management with an intention to bolster its core competitiveness and strengthen its market dominance. On the basis of our strengths in production scale and manufacturing technology, we will continue to step up with the development of strategic products and advanced technologies, recruit more talents for core positions and extend expansion for the American market to ensure stable development in the longer term. The Group will strive to position itself as an excellent global expert providing systematic solutions in micro motors to customers with an aim to create sustainable and incremental return to shareholders, sound career development opportunities for its employees and greater value and benefits for the society.

The Group will endeavor to firm up its global leading position in micro motor for household air-conditioning alternating current motors through product sophistication and specialization, with special emphasis on the three strategic products (commercial air-conditioning motors, direct current motors and refrigerator compressor motors), towards which additional investments will be made to enhance their competitiveness so that they may develop into a niche for future profit growth. We will ride on the recent substantial growth in the washing motors business to further expand its wave-wheel motors business, while stepping up with the marketing of high-end series motors and small series motors. Furthermore, the Group will seek to consolidate its market position in the sectors of wave-wheel motors, series motors and dishwasher pumps. Meanwhile, the Group will enhance the marketing of high-end and energy-saving motor products (which include three-phase converter motors, agitator motors and DD motors, all are used in washing machines, and BLDC motors used in direct current dishwashers) with particular emphasis on enlarging market shares in Europe and extending its presence to America, with a view to increasing the overseas market shares and sales weighting of the high-end products. In respect of its electronic and electric components business, besides of strengthening its global leading position in microwave oven transformers, the Group will also accelerate the development of resistors and shaded pole motors as well as explore and foster new niches for profit growth. In the meantime, we will strive to grow in scale as well as profitability through the increase in self-made key components and further streamlining in production process.

## **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 ended 31 December 2009 except for the deviation from Code Provision E.1.2 of the CG Code which provides that the chairman of the board should attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee failing this his duly appointed delegates, to be available to answer questions at the annual general meeting.

The Chairman of the Board was unable to attend the Company’s 2009 annual general meeting due to another business engagement. The chairman of the audit committee and remuneration committee were unable to attend the Company’s 2009 annual general meeting due to other business engagement. In the absence of the Chairman of the Board, the Chief Executive Officer of the Company was elected by the Directors present at the Company’s 2009 annual general meeting to act as the chairman of the meeting and all other executive Directors and non-executive Director of the Company attended the meeting and were available to answer questions from shareholders.

## **REVIEW OF ACCOUNTS**

The Audit Committee has reviewed the Group’s consolidated financial statements for the year ended 31 December 2009, 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 2009 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 Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk). The 2009 Annual Report will be despatched to the shareholders of the Company on or about 12 April 2010 and will be available on the websites of the Company and Hong Kong Exchanges and Clearing Limited 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. TAN Jinsong, Mr. LAM Ming Yung and Ms. CHEN Chunhua.

On behalf of the Board  
**Welling Holding Limited**  
**CAI Qiwu**  
*Chairman*

Hong Kong, 29 March 2010