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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)

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES

Sole Placing Agent



SAMSUNG SECURITIES

SAMSUNG SECURITIES (ASIA) LIMITED

On 29 March 2010, the Vendor entered into the Placing Agreement with the Placing Agent and the Company. Pursuant to the Placing Agreement, the Vendor agreed to place, through the Placing Agent, 1,200,000,000 Shares at the Placing Price of HK\$0.420 per Placing Share, on a best effort basis, to not less than six Placees which are independent investors who, and whose beneficial owners are : (i) not connected persons of the Company; (ii) independent of the Vendor, the Company and its connected persons; and (iii) independent of and not acting in concert (as defined in the Takeovers Code) with the Vendor with respect to the Shares. Pursuant to the Subscription Agreement entered into between the Company and the Vendor on the even date, the Vendor conditionally agreed to subscribe for 600,000,000 Subscription Shares at the Subscription Price of HK\$0.420 per Subscription Share.

The Placing Shares of 1,200,000,000 Shares represent approximately (i) 8.90% of the issued share capital of the Company of 13,479,314,112 Shares as at the date of this announcement; and (ii) 8.52% of the issued share capital of the Company as enlarged after completion of the Placing and the Subscription.

The Subscription Shares of 600,000,000 Shares represent approximately (i) 4.45% of the issued share capital of the Company of 13,479,314,112 Shares as at the date of this announcement; and (ii) 4.26% of the issued share capital of the Company as enlarged after completion of the Placing and the Subscription.

The Placing Price (or Subscription Price) of HK\$0.420 per Placing Share (or Subscription Share) represents approximately (i) a discount of 9.68% to the closing price of HK\$0.465 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of 7.28% to the average closing price of approximately HK\$0.453 per Share as quoted on the Stock Exchange in the last five consecutive trading days up to and including the Last Trading Day; and (iii) a discount of 6.46% to the average closing price of approximately HK\$0.449 per Share as quoted on the Stock Exchange in the last ten consecutive trading days up to and including the Last Trading Day.

As at the date of this announcement, the Vendor holds 10,106,023,897 Shares, representing 74.97% of the issued share capital of the Company as at the date of this announcement. Assuming the Placing Shares are fully placed, the aggregate shareholding of the Vendor will be reduced from approximately 74.97% to approximately 66.07% upon completion of the Placing but before the Subscription and will be increased from approximately 66.07% to approximately 67.52% upon completion of the Placing and the Subscription.

Completion of the Placing is conditional upon fulfillment of the conditions as set out below in this announcement and completion of the Subscription is conditional upon (i) the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares; and (ii) the completion of the Placing pursuant to the terms of the Placing Agreement.

As the Placing and the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The net proceeds from the Subscription of approximately HK\$246 million will be used for the development of motor business of the Group (including capital expenditures to be incurred in the expansion of production capacity of the refrigerator compressor motors, commercial air-conditioning motors and other energy-saving motor products) and for general working capital of the Company.

THE PLACING AGREEMENT

Date

29 March 2010

Parties

- (i) the Company;
- (ii) the Vendor; and
- (iii) the Placing Agent

Placing Agent

The Placing Agent have agreed to procure, on a best effort basis, Placees to acquire 1,200,000,000 Placing Shares at the Placing Price and will receive a placing commission of 2.28% on the gross proceeds from the Placing Shares being placed by the Placing Agent

under the Placing Agreement. The placing commission was determined by reference to the range of market norms for commissions for this type of transaction.

To the best knowledge of the Company, the Placing Agent and their respective ultimate beneficial owners are independent of the Company and its connected persons and not a party acting in concert (as defined in the Takeovers Code) with the Vendor with respect to the Shares in the Company. The Placing Agent and their respective ultimate beneficial owners do not own any Shares as at the date of this announcement.

Placees

The Placing Agent have agreed to procure the placing of the Placing Shares on a best effort basis to not less than six Placees who, and whose ultimate beneficial owners are (i) not connected persons of the Company; (ii) independent of the Vendor, the Company and its connected persons; and (iii) independent of and not acting in concert (as defined in the Takeovers Code) with the Vendor with respect to the Shares in the Company.

Placing Shares

1,200,000,000 Placing Shares (with an aggregate nominal value of HK\$120,000,000) represent approximately (i) 8.90% of the issued share capital of the Company of 13,479,314,112 Shares as at the date of this announcement; and (ii) 8.52% of the Company's issued share capital of 14,079,314,112 Shares as enlarged after completion of the Placing and the Subscription.

Rights of the Placing Shares

The Placing Shares will be sold free and clear of all liens, charges, encumbrances, options and third party rights, and together with all rights attaching to them at the date of the Placing Agreement, including the right to receive all dividends or other distributions declared, made or paid on or after the date of the Placing Agreement.

Placing Price

The Placing Price of HK\$0.420 per Placing Share was agreed after arm's length negotiations between the Vendor, the Company and the Placing Agent. It represents approximately:

- (i) a discount of 9.68% to the closing price of HK\$0.465 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of 7.28% to the average closing price of approximately HK\$0.453 per Share as quoted on the Stock Exchange in the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of 6.46% to the average closing price of approximately HK\$0.449 per Share as quoted on the Stock Exchange in the last ten consecutive trading days up to and including the Last Trading Day.

Conditions

The obligation of the Placing Agent to proceed to completion of the Placing (“Completion of the Placing”) is conditional upon the Subscription Agreement having been entered into by the parties thereto and not having been subsequently revoked, terminated or (without the prior consent of the Placing Agent) modified on or before the date of Completion of the Placing, and

- (a) there not having occurred at any time prior to Completion of the Placing (i) any material breach of, or any event rendering untrue, incorrect or breached in any material respect, any of the representations, warranties or undertakings referred to in this Placing Agreement or (ii) any breach of, or failure to perform, any of the other obligations of the Company or the Vendor which are required to be performed at or before Completion of the Placing;
- (b) there not having occurred prior to Completion of the Placing:
 - (i) any event, or series of events beyond the reasonable control of the Placing Agent (including, without limitation, acts of government, strikes, labour disputes, lock-outs, fire, explosion, flooding, civil commotion, economic sanctions, epidemic, pandemic, outbreak of infectious disease, terrorism, outbreak or escalation of hostilities (whether local, national or international), acts of war and acts of God);
 - (ii) any change, or development (whether or not permanent) involving a prospective change, in or affecting the business, general affairs, management, prospects, assets and liabilities, shareholders’ equity, results of operations or position, financial or otherwise, of the Company or the Group as a whole, whether or not arising in the ordinary course of business;
 - (iii) any change (whether or not permanent) or any development (whether or not permanent) involving a prospective change or any crisis in local, national or international financial, political, economic, legal, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, interbank markets and credit markets and conditions with respect to interest rates in Hong Kong or otherwise) or foreign exchange controls in Hong Kong or overseas or any occurrence of a combination of any such changes or developments or crises or any deterioration of any such conditions;
 - (iv) the commencement by any state, governmental, judicial, regulatory or political body or organisation of any action against any director of the Company or an announcement by any state, governmental, judicial, regulatory or political body or organisation that it intends to take any such action; or
 - (v) the introduction of any new law or regulation or any change (whether or not permanent) or development (whether or not permanent) involving a prospective change in existing laws or regulations or the interpretation or application thereof by any court or other competent authority,

which individually or together, in the opinion of the Placing Agent, prejudices or is likely to prejudice materially the success of the Placing or dealings in the Placing Shares in the secondary market or makes it or is likely to make it impracticable or inadvisable or inexpedient to proceed with the offer, sale, distribution or delivery of the Placing Shares on the terms and in the manner contemplated herein; and

- (c) there not having occurred at any time prior to Completion of the Placing (i) the imposition of any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange, or in any securities of the Company on any stock exchange or over the counter market or (ii) any material disruption in securities settlement, payment or clearance services in Hong Kong or the People's Republic of China or (iii) the imposition of any moratorium on commercial banking activities by the authorities in Hong Kong or the People's Republic of China or the United States Federal or New York State authorities.

If any of such conditions shall not have been fulfilled or (alternatively) waived by the Placing Agent (upon such terms as the Placing Agent may deem necessary) by the date of Completion of the Placing, the Placing Agreement and the obligations of the Placing Agent thereunder shall cease and terminate at that time and no party shall be under any liability to any other for costs, damages, charges, compensation or otherwise under the Placing Agreement, except in relation to outstanding liabilities for incurred costs and expenses and obligations and agreements and liabilities arising prior to such termination.

Lock-up Undertakings

The Vendor and the Company gave certain undertakings to the Placing Agent subject to Completion of the Placing in the Placing Agreement as follows:

Each of the Vendor and the Company undertook to the Placing Agent that (except for the sale of the Placing Shares pursuant to the Placing Agreement) from the date thereof and on or prior to the date being three months after the date of the Placing Agreement it will not and will procure that none of its nominees, companies controlled by it or trusts associated with it (whether individually or together and whether directly or indirectly) will (without the prior written consent of the Placing Agent) (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the new Shares to be issued under the Subscription Agreement but excluding the Placing Shares) or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests therein held by it as at the date of the Placing Agreement or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above; or issue new Shares or securities convertible into Shares except in circumstances set out in the Placing Agreement; provided that the undertaking above does not apply to the following:

- (i) any new Shares to be issued pursuant to the exercise outstanding share options of the Company as at the date hereof,

- (ii) any Shares or other securities or rights issued or granted to shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with its Articles of Association or on the exercise of rights existing at the date of the Placing Agreement, or
- (iii) the grant of options by the Company to the grantee in accordance with its existing share option scheme.

Completion of the Placing

It is expected that the Placing will be completed on 1 April 2010 or such later date as may be agreed between the Vendor, the Company and the Placing Agent.

THE SUBSCRIPTION AGREEMENT

Date

29 March 2010

Parties

- (i) the Company;
- (ii) the Vendor.

Subscription of Shares

600,000,000 Subscription Shares will be issued under the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 22 May 2009. Under the said general mandate, the Company is authorised to issue 2,695,862,822 Shares. Up to the date of this announcement, no new Shares have been issued by the Company under the said general mandate. Accordingly the issue of the Subscription Shares does not require any approval from the Shareholders.

Subscription Price

The Subscription Price, which is the same as the Placing Price, shall be HK\$0.420 per Subscription Share.

Assuming the Placing Shares are fully placed and taking into account of the placing commission, and the estimated expenses in relation to the Placing and the Subscription, the net proceeds from the Subscription are estimated to be approximately HK\$246 million and the net price per Subscription Share will be approximately HK\$0.410.

Ranking of Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects *inter se* and with all other Shares in issue at the time of issue and allotment of Shares.

Conditions of the Subscription

Completion of the Subscription is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Subscription Shares; and
- (ii) Completion of the Placing pursuant to the terms of the Placing Agreement.

An application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares.

If the above conditions are not fulfilled on or prior to 12 April 2010, or such later date as may be agreed in written between the Company and the Vendor, all the rights, obligations and liabilities of the Company and the Vendor under the Subscription Agreement shall cease and terminate and neither the Company nor the Vendor shall have any claim against the other in respect of the Subscription save for antecedent breaches.

Completion of the Subscription

Subject to fulfillment of the above conditions, completion of the Subscription will take place by no later than the second business days after the date upon which the last of the conditions set out above is satisfied.

The Subscription constitutes a connected transaction for the Company. If the Subscription is not completed within 14 days after the date of the Placing and Subscription Agreements, it will not fall under the exemption under Rule 14A.31(3)(d) of the Listing Rules and will be subject to independent shareholders approval requirements.

EFFECTS ON SHAREHOLDING STRUCTURE

As at the date of this announcement, the existing authorized share capital of the Company consists of 20,000,000,000 Shares out of which 13,479,314,112 Shares are issued and fully paid up. As at the date of this announcement, there are outstanding options attaching rights to subscribe for 352,500,000 Shares granted under the share option scheme of the Company.

Set out below is the shareholding structure of the Company (i) as at the date of this announcement, (ii) immediately after completion of the Placing but before the Subscription and (iii) immediately after completion of the Placing and the Subscription:

Shareholder	As at the date of this announcement		Immediately after completion of the Placing but before the Subscription		Immediately after completion of the Placing and the Subscription	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Vendor	10,106,023,897	74.97	8,906,023,897	66.07	9,506,023,897	67.52
Placees	-	-	1,200,000,000	8.90	1,200,000,000	8.52
Other Shareholders	3,373,290,215	25.03	3,373,290,215	25.03	3,373,290,215	23.96
Total	13,479,314,112	100.00	13,479,314,112	100.00	14,079,314,112	100.00

REASONS FOR THE PLACING

The Board of the Company considers that the Placing and the Subscription will provide the Company with an opportunity to raise further capital while broadening the shareholder's base of the Company. In view of the current market condition, the Directors consider it is appropriate for the Company to take this opportunity to obtain additional funding to strengthen its capital base for development of its existing businesses and exploration of potential business and investment opportunities in the future. The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Placing and Subscription Agreements are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The net proceeds from the Subscription of approximately HK\$246 million will be used for the development of motor business of the Group (including capital expenditures to be incurred in the expansion of production capacity of the refrigerator compressor motors, commercial air-conditioning motors and other energy-saving motor products) and for general working capital of the Company.

FUNDS RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities in the past twelve months before the date of this announcement.

GENERAL

The Company is an investment holding company. The Group is principally engaged in the manufacture 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.

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;
“business day”	means any day (excluding Saturday, Sunday or public holiday) on which banks generally are open for business in Hong Kong;
“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;
“Group”	means the Company and its subsidiaries;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Last Trading Date”	means 29 March 2010, being the last trading day for the Shares before public offer of this announcement;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“Placees”	means any professional, institution, individual and/or corporate investors procured by the Placing Agent to purchase any of the Placing Shares pursuant to the Placing Agent’ obligations under the Placing;
“Placing”	means placing of the Placing Shares pursuant to the Placing Agreement;

“Placing Agent”	means Samsung Securities (Asia) Limited, a licensed corporation to carry on business in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Placing Agreement”	means the placing agreement dated 29 March 2010 entered into between the Vendor, the Placing Agent and the Company in relation to the Placing;
“Placing and Subscription Agreements”	means the Placing Agreement and the Subscription Agreement;
“Placing Price”	means HK\$0.420 per Placing Share;
“Placing Shares”	means 1,200,000,000 Shares beneficially owned by the Vendor to be placed by the Vendor pursuant to the Placing Agreement;
“PRC”	means People’s Republic of China;
“Share(s)”	means the ordinary shares of HK\$0.1 each in the share capital of the Company;
“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;
“Subscription”	means conditional subscription by the Vendor of the Subscription Shares pursuant to the Subscription Agreement;
“Subscription Agreement”	means the subscription agreement dated 29 March 2010 entered into between the Company and the Vendor in relation to the Subscription;
“Subscription Price”	means HK\$0.420 per Subscription Share;
“Subscription Shares”	600,000,000 of new Shares to be subscribed for by the Vendor, equivalent to 50% of the number of Placing Shares to be placed by the Vendor pursuant to the Placing;
“subsidiary”	has the meaning ascribed to it in sections 2 and 2B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);

“Takeovers Code”	means the Hong Kong Code on Takeovers and Mergers;
“Vendor”	means Midea Holding (Cayman Islands) Limited, a company incorporated in the Cayman Islands holding approximately 74.97% of the issued share capital of the Company before completion of the Placing and the Subscription;
“HK\$”	means Hong Kong Dollars, the lawful currency of Hong Kong;
“%”	means per cent.

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

Hong Kong, 29 March 2010

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. Tan Jinsong, Mr. Lam Ming Yung and Ms. Chen Chunhua