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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 AND CONTINUING CONNECTED TRANSACTIONS

EQUITY TRANSFER AGREEMENT

On 13 April 2010, the Company through its wholly-owned subsidiary, Welling Washer Motor, entered into an Equity Transfer Agreement with Wuxi Little Swan to acquire 100% equity interest in Huayin at a cash consideration of RMB75.0 million (equivalent to approximately HK\$85.3 million). Upon completion of the Acquisition, Huayin will become a wholly-owned subsidiary of the Company.

RENEWAL OF MIDEA FRAMEWORK AGREEMENT

Reference is made to the announcements of the Company dated 23 November 2007 and 22 February 2008 and the circular of the Company dated 25 February 2008 in respect of the Midea Framework Agreement entered into between the Company and Midea on 22 February 2008.

The Directors expect that the existing annual cap for the sale of motors and electronic and electric components for electrical household appliances by the Group to Midea Group under the Midea Framework Agreement will not be sufficient to satisfy the requirements in 2010.

The Midea Framework Agreement will expire on 31 December 2010 and the continuing connected transactions thereunder are expected to continue after the expiration of the Midea Framework Agreement.

On 13 April 2010, the Company and Midea entered into the Renewed Midea Framework Agreement which sets out the basis upon which (i) the Group will sell motors and electronic and electric components for electrical household appliances and raw materials to Midea Group; and (ii) the Group will purchase raw materials and processed raw materials and motor samples from Midea Group for the three years ending 31 December 2012. The Renewed Midea Framework Agreement shall supercede the Midea Framework Agreement upon approval by the Independent Shareholders at the EGM.

WELLKEY FRAMEWORK AGREEMENT

The Group has been purchasing varnished wires indirectly from Wellkey through Midea Group under the Midea Framework Agreement in order to enjoy the bulk purchase discount available to Midea Group. After negotiation with Wellkey, Wellkey verbally agreed that the Group could place orders with them directly in respect of the purchase of varnished wires on the same terms as those they currently offer to Midea Group.

On 13 April 2010, the Company and Wellkey entered into the Wellkey Framework Agreement which sets out the basis upon which the Group will purchase raw materials from Wellkey for the three years ending 31 December 2012. The Wellkey Framework Agreement shall be effective upon approval by the Independent Shareholders at the EGM.

RENEWAL OF LOGISTIC SERVICE AGREEMENT

Reference is made to the announcement of the Company dated 17 April 2009 in respect of the Logistic Service Agreement entered into between the Company and Annto on 17 April 2009. The Logistic Service Agreement had expired on 31 December 2009 and the Renewed Logistic Service Agreement was entered into between the Company and Annto on 13 April 2010 for the continuation of the provision of Logistic Services.

FINANCIAL SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcements of the Company dated 23 April 2009 and 10 July 2009 in respect of a capital contribution agreement dated 23 April 2009 entered into between GD Welling (a wholly owned subsidiary of the Company), Midea and GD Midea for the formation of the Finance Company in the PRC. Approval had been granted by the CBRC for the incorporation of the Finance Company. All the required documents in connection with the application for commencement of business of the Finance Company have been submitted to the relevant regulatory authorities.

On 13 April 2010, the Company, through GD Welling, entered into the Financial Services Framework Agreement with the Finance Company, pursuant to which, the Finance Company will provide to GD Welling Group with the Core Financial Services and Other Financial Services for the three years ending 31 December 2012. The Financial Services Framework Agreement shall be effective upon approval by the Independent Shareholders at the EGM.

LISTING RULES IMPLICATIONS

Wuxi Little Swan is owned as to 29.64%, and is accounted for as a subsidiary, by GD Midea which is 42.49% owned by Midea. Accordingly, Wuxi Little Swan, being an associate (under the Listing Rules) of Midea, the controlling shareholder of the Company, is a connected person of the Company under the Listing Rules. The Acquisition to be made under the Equity Transfer Agreement will constitute a connected transaction of the Company under the Listing Rules. As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the consideration to be paid for the Acquisition exceed 2.5% and HK\$10,000,000, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules.

As Midea is the controlling shareholder of the Company and Wellkey is a company controlled by Mr. He Jianfeng (the son of Mr. He Xiangjian who is the controlling shareholder of Midea), each of Wellkey and Midea is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under each of the Renewed Midea Framework Agreement and the Wellkey Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the proposed annual caps for the transactions contemplated under the Renewed Midea Framework Agreement and the Wellkey Framework Agreement exceed 2.5% and the annual caps exceed HK\$10,000,000, the transactions contemplated under the Renewed Midea Framework Agreement and the Wellkey Framework Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules.

As Annto is a subsidiary of Midea and therefore each of Annto and its subsidiaries is an associate of Midea and a connected person of the Company under the Listing Rules, the transactions contemplated under the Renewed Logistic Service Agreement constitute continuing connected transactions of the Company under the Listing Rules. As all of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the annual caps for the transactions contemplated under the Renewed Logistic Service Agreement are less than 2.5%, the transactions contemplated under the Renewed Logistic Service Agreement are only subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under the Listing Rules.

The Finance Company is owned as to 55% by Midea and is therefore an associate of Midea and a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Financial Services Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules. As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the proposed annual caps for the Core Financial Services exceed 2.5% and the annual caps exceed HK\$10,000,000, the Financial Services Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules.

As it is expected that each of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the annual aggregate amount of the service charges and fees payable for the Other Financial Services will not exceed 0.1%, such transactions are exempt from all reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.33 of the Listing Rules. Should such transactions exceed the exemption threshold in future, the Group will comply with the applicable connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

DESPATCH OF CIRCULAR

An independent board committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the terms of the Equity Transfer Agreement, the Renewed Midea Framework Agreement, the Wellkey Framework Agreement and the Financial Services Framework Agreement. Optima Capital has been appointed as the independent financial adviser by the Board to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Equity Transfer Agreement, the Renewed Midea Framework Agreement, the Wellkey Framework Agreement and the Financial Services Framework Agreement and the transactions contemplated thereunder (including the respective proposed annual caps), a letter of advice from the independent board committee and a letter of recommendation from Optima Capital, and the notice of EGM will be despatched to the Shareholders in accordance with the Listing Rules in due course.

VOTING AT EGM

The EGM will be convened by the Company at which resolutions will be proposed to seek approval from the Independent Shareholders for the Equity Transfer Agreement, the Renewed Midea Framework Agreement, the Wellkey Framework Agreement, the Financial Services Framework Agreement and the transactions contemplated thereunder respectively (including the proposed annual caps) by way of poll. Midea is the controlling shareholder of the Company holding approximately 67.52% of the issued share capital of the Company as at the date of this announcement and a party interested or taken to be interested in the Equity Transfer Agreement, the Renewed Midea Framework Agreement, the Wellkey Framework Agreement and the Financial Services Framework Agreement and the transactions to be contemplated thereunder. As such, each of Midea and its associates will abstain from voting on the relevant resolutions at the EGM.

I. EQUITY TRANSFER AGREEMENT

Background

On 13 April 2010, Welling Washer Motor and Wuxi Little Swan entered into the Equity Transfer Agreement in respect of the proposed Acquisition which is conditional upon approval by the Independent Shareholders at the EGM.

Equity Transfer Agreement

Date : 13 April 2010

Parties : Welling Washer Motor (the purchaser)
Wuxi Little Swan (the vendor)

Equity Interest to be acquired:

Wuxi Little Swan was a shareholder holding 75% equity interest in Huayin. Before Wuxi Little Swan can sell its 100% equity interest in Huayin to Welling Washer Motor, Wuxi Little Swan has acquired the 25% equity interests in Huayin from two minority shareholders at a cash consideration of RMB11,450,000 (equivalent to approximately HK\$13,016,000) in March 2010 and obtained approval from the Management Committee, Wuxi National High Technology Industrial Development Zone (無錫國家高新技術產業開發區管理委員會) for such equity transfer on 9 April 2010. The approval from the Administration Department for Industry and Commerce of Wuxi (無錫工商行政管理部門) for the registration of transfer of 25% equity interest in Huayin from two minority shareholders to Wuxi Little Swan is expected to be obtained by the end of April 2010.

Subject to (i) the completion of acquisition of 25% equity interest in Huayin by Wuxi Little Swan from two minority shareholders; and (ii) the approval from the Independent Shareholders on the Equity Transfer Agreement having been obtained at the EGM, the Company will acquire 100% equity interest in Huayin from Wuxi Little Swan.

Consideration:

The consideration of RMB75.0 million (equivalent to approximately HK\$85.3 million) for the Acquisition was arrived at after arm's length negotiations between Welling Washer Motor and Wuxi Little Swan on a willing-buyer and willing-seller basis with reference to (i) the net asset value of Huayin in amount of approximately RMB56.7 million (equivalent to approximately HK\$64.5 million) as at 31 December 2009 as stated in Huayin's latest audited accounts issued by Jiangsu GongZheng Tianye Certified Public Accountants Co., Ltd., an independent certified public accounting firm; (ii) the well-trained workforce who are familiar with the operations of Huayin; and (iii) the established long-term business relationship with its existing customers.

Pursuant to the Equity Transfer Agreement, the cash consideration shall be paid in two installments. The first installment (equivalent to 80% of the total cash consideration) is payable within 10 business days after the date on which the approval of the Independent Shareholders of the Equity Transfer Agreement having been obtained at the EGM, the second installment (equivalent to the remaining 20% of the total cash consideration) is payable within 10 business days after the date of completion of the transfer of the 100% equity interest in Huayin from Wuxi Little Swan to Welling Washer Motor. The cash consideration shall be settled by internal resources of the Group.

Financial Information of Huayin

Based on the audited financial statements of Huayin prepared under generally accepted accounting principles in the PRC:

1. The net asset value as at 31 December 2009 amounted to approximately RMB56.7 million (equivalent to approximately HK\$64.5 million);
2. The net profit before and after taxation and exceptional items for the year ended 31 December 2009 amounted to approximately RMB1.8 million (equivalent to approximately HK\$2.0 million) and RMB0.5 million (equivalent to approximately HK\$0.6 million) respectively; and
3. The net loss before and after taxation and exceptional items for the year ended 31 December 2008 amounted to approximately RMB4.2 million (equivalent to approximately HK\$4.8 million) and RMB2.6 million (equivalent to approximately HK\$3.0 million) respectively.

Conditions Precedents

The Equity Transfer Agreement and the Acquisition shall be conditional upon fulfillment of the following conditions precedents:

1. all necessary consents and approvals having been obtained from the Administration Department for Industry and Commerce of Wuxi (無錫工商行政管理部门) in respect of the registration of

the transfer of 25% equity interest in Huayin from two minority shareholders to Wuxi Little Swan;

2. the approval in respect of the Equity Transfer Agreement and the Acquisition having been obtained from the Independent Shareholders at the EGM; and
3. all necessary consents and approvals having been obtained from the Administration Department for Industry and Commerce of Wuxi (無錫工商行政管理部門) in respect of the registration of the transfer of 100% equity interest in Huayin from Wuxi Little Swan to Welling Washer Motor.

Completion of Acquisition

Completion of the Acquisition shall take place on the business day on which the last of the conditions precedent set out above in the Equity Transfer Agreement is fulfilled. Upon completion of the Acquisition, Huayin will become a wholly-owned subsidiary of the Company.

Reasons for, and benefits of, the Acquisition

Huayin is principally engaged in the manufacture of motors for electrical household appliances, mainly washing machine motors, to be provided to its parent company, Wuxi Little Swan and its subsidiaries.

Through the Acquisition, the Group is able to take a shortcut to capture the washing motor manufacturing business as well as the production facilities and workforce of Huayin for the manufacture of washing machines motors. The motor products manufactured by Huayin are to be provided to Wuxi Little Swan, which is the owner of a famous brand “Little Swan” in washing machine sector which product is enjoying the benefits of the favourable policies for the electrical household appliances introduced by the PRC Government such as the “Home Appliances Subsidy Policy for Rural Areas”. In fact, Wuxi Little Swan has been purchasing washing motors from the Group and is a quality and potential customer to the Group. It would create a channel to increase supplies of washing motors by the Group to Wuxi Little Swan when Huayin become a subsidiary of the Company.

The Directors (excluding the independent non-executive Directors, being members of the independent board committee, who will give their opinion based on the recommendation from Optima Capital) are of the view that the terms of the Equity Transfer Agreement which were agreed after arm’s length negotiations on normal commercial terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

Wuxi Little Swan is owned as to 29.64%, and is accounted for as a subsidiary, by GD Midea which is 42.49% owned by Midea. Accordingly, Wuxi Little Swan, being an associate (under the Listing Rules) of Midea, the controlling shareholder of the Company, is a connected person of the Company under the Listing Rules. The Acquisition to be made under the Equity Transfer Agreement will constitute a connected transaction of the Company under the Listing Rules. As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the consideration to be paid for the Acquisition exceed 2.5% and HK\$10,000,000, the

Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules.

II. RENEWAL OF MIDEA FRAMEWORK AGREEMENT

Background

References are made to the announcements of the Company dated 23 November 2007 and 22 February 2008 and the circular of the Company dated 25 February 2008 in respect of the Midea Framework Agreement entered into between the Company and Midea for a term commencing on 31 March 2008 and ending on 31 December 2010. The Midea Framework Agreement sets out the basis upon which the Group would sell products manufactured by the Group to Midea Group and purchase raw materials from Midea Group during the term of the Midea Framework Agreement.

In anticipation of the increase in demand of motors and electronic and electric components as a result of the strong growth in sales of electrical household appliances in the PRC coupled with the factor of upward trend of raw materials prices, the Directors expect that the existing annual cap for the transactions in respect of the sale of motors and electronic and electric components by the Group to Midea Group under the Midea Framework Agreement will not be sufficient to satisfy the requirements in 2010. In addition, the Midea Framework Agreement will expire on 31 December 2010 and the continuing connected transactions thereunder are expected to continue after the expiration of the Midea Framework Agreement.

On 13 April 2010, the Company and Midea entered into the Renewed Midea Framework Agreement which sets out the basis upon which (i) the Group would sell motors and electronic and electric components for electrical household appliances and raw materials to Midea Group; and (ii) the Group would purchase raw materials and processed raw materials and motor samples from Midea Group. The Renewed Midea Framework Agreement shall supercede the Midea Framework Agreement upon approval by the Independent Shareholders at the EGM.

Renewed Midea Framework Agreement

- Date :** 13 April 2010
- Term :** From 1 January 2010 to 31 December 2012
- Parties :** The Company; and
Midea
- Nature of transactions :** (i) sale of motors and electronic and electric components for electrical household appliances and raw materials by the Group to Midea Group; and
- (ii) purchase of raw materials and processed raw materials and motor samples by the Group from Midea Group
- Pricing basis :** The sale and purchase of products/raw materials are to be based on normal commercial terms, the prices payable for the products/raw

materials are to be agreed between the relevant parties by reference to the prevailing market prices of comparable products and the terms and conditions of the sale and purchase shall not be less favourable than those available to the Group to or from independent third parties from time to time.

Proposed annual caps:

Pursuant to the Renewed Midea Framework Agreement, the value of the transactions contemplated thereunder shall not exceed the proposed annual caps below:

	Year ending 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Sale of motors and electronic and electric components for electrical household appliances and raw materials	3,523,000 (Note 1)	4,337,000	5,335,000
Purchase of raw materials and processed raw materials and motor samples	320,000 (Note 2)	320,000	400,000

Notes :

1. Approved annual cap under the Midea Framework Agreement was RMB2,930,000,000.
2. Approved annual cap under the Midea Framework Agreement was RMB320,000,000.

For each of the two years ended 31 December 2009, the sale of motors and electronic and electric components by the Group to Midea Group amounted to RMB1,862,209,000 and RMB2,270,276,000 respectively (both within the approved annual caps under the Midea Framework Agreement of RMB2,170,000,000 and RMB2,500,000,000) and the purchase of raw materials by the Group from Midea Group amounted to RMB757,624,000 (inclusive of an amount of RMB121,202,000, representing purchase of varnished wires indirectly from Wellkey through Midea Group) and RMB144,773,000 (inclusive of an amount of RMB123,335,000, representing purchase of varnished wires indirectly from Wellkey through Midea Group) respectively (both within the approved annual caps under the Midea Framework Agreement of RMB1,500,000,000 and RMB310,000,000).

After taking into account of the increase in cost of raw materials and the anticipated growth in market demand of electrical household appliances in the PRC, the sales of motors and electronic and electric components to Midea Group for the year ending 31 December 2010 are expected to exceed the approved annual cap for that year.

The proposed annual caps for the three years ending 31 December 2012 for the sale of motors and electronic and electric components and raw materials by the Group to Midea Group under the

Renewed Midea Framework Agreement have been determined primarily based on (i) the historical values of the sales transactions between the Group and Midea Group; (ii) anticipated growth in PRC market demand for appliances principally air-conditioners, washing machines, microwave ovens which comprise products using the motors manufactured by the Group, as a result of the Home Appliances Subsidy Program for Rural Areas (家電下鄉) and Home Appliances Replacement Subsidy Policy (家電以舊換新) introduced by the PRC Government; (iii) the estimated increase in selling prices of the relevant products for the next three years due to the introduction of newly developed high-end products; and (iv) the estimated increase in volume of motors and electronic and electric components to be sold to Midea Group in line with Midea's anticipated increase in market share of electrical household appliance industry in the PRC and the additional portion of new high-end products included in the next three years.

The proposed annual caps for the three years ending 31 December 2012 for the purchase of raw materials and processed raw materials and motor samples from Midea Group by the Group under the Renewed Midea Framework Agreement have been determined primarily based on (i) the historical values of the purchase transactions between the Group and Midea Group; (ii) the estimated increase in purchase price due to the upward trend of raw materials prices; and (iii) the anticipated increase in demand of raw materials in line with the business expansion and development plan of the Group for the next three years including establishment of new production facilities.

Reasons for, and benefits of, the Renewed Midea Framework Agreement

Midea Group has been the largest customer of the Group, and sales to Midea Group accounted for approximately 52% of the Group's annual revenue in 2009. In addition, Midea Group, being one of the dominant participants in the electrical household appliances industry has been achieving an increase in market share in the PRC. Any further increase in the market share of Midea Group is expected to result in an increase in the demand for the Group's products. The continuation of the sale of finished goods to Midea Group is beneficial to and in the interest of the Group.

In respect of the purchase of raw materials by the Group from Midea Group, the Group has been purchasing raw materials for manufacturing motors and electronic and electric components of electrical household appliances from Midea Group which would place the orders with suppliers in bulk. As such, Midea Group can leverage on its close relationship with suppliers to obtain better terms for the purchase of raw materials than the Group could be able to obtain on its own.

The continued trading relationship between the Company and Midea Group is expected to provide a competitive advantage for the Group.

The Directors (excluding the independent non-executive Directors, being members of the independent board committee, who will give their opinion based on the recommendation from Optima Capital) are of the view that the entering into of the Renewed Midea Framework Agreement is in the ordinary and usual course of business of the Group, and the terms (including the proposed annual caps) of the Renewed Midea Framework Agreement which were agreed after arm's length negotiations on normal commercial terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

As Midea is the controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules, the transactions contemplated under the Renewed Midea Framework Agreement constitute continuing connected transactions of the Company. As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the proposed annual caps exceed 2.5% and the proposed annual caps exceeds HK\$10,000,000, the transactions contemplated under the Renewed Midea Framework Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

III. WELLKEY FRAMEWORK AGREEMENT

Background

On 13 April 2010, the Company and Wellkey entered into the Wellkey Framework Agreement which sets out the basis upon which the Group would purchase raw materials from Wellkey. The Wellkey Framework Agreement shall be effective upon approval by the Independent Shareholders at the EGM.

Wellkey Framework Agreement

Date :	13 April 2010
Term :	From 1 January 2010 to 31 December 2012
Parties :	The Company; and Wellkey
Nature of transactions :	Purchase of raw materials by the Group from Wellkey
Pricing basis :	The purchase of raw materials are to be based on normal commercial terms, the prices payable for the raw materials are to be agreed between the relevant parties by reference to the prevailing market prices of the relevant products and the terms and conditions of the sale and purchase shall be no less favourable than those available to the Group from independent third parties from time to time.

Proposed annual caps:

Pursuant to the Wellkey Framework Agreement, the value of the transactions contemplated thereunder shall not exceed the proposed annual caps below:

	Year ending 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Purchase of raw materials from Wellkey	215,000	266,000	338,000

For each of the two years ended 31 December 2009, the purchase of varnished wires by the Group from Wellkey indirectly through Midea Group under the Midea Framework Agreement amounted to RMB121,202,000 and RMB123,335,000 respectively.

The proposed annual caps set out in the above table have been determined primarily based on (i) the historical purchases of raw materials from Wellkey; (ii) the estimated increase in purchase price of raw materials; and (iii) the anticipated increase in demand of raw materials in line with the business expansion and development plan of the Group for the next three years.

Reasons for, and benefits of, the Wellkey Framework Agreement

The Group has been purchasing varnished wires indirectly from Wellkey through Midea Group under the Midea Framework Agreement in order to enjoy the bulk purchase discount available to Midea Group. After negotiation with Wellkey, Wellkey verbally agreed that the Group could place orders with them directly in respect of the purchase of varnished wires on the same terms as those they currently offer to Midea Group.

Wellkey is primarily engaged in the sale and distribution of varnished wires. Over the past years, Wellkey had consistently been able to provide quality goods to the Group with reliable and timely delivery services due to its close proximity to the principal manufacturing base of the Group in Shunde, the PRC. The Group has built a trusted and long-term business relationship with Wellkey.

The Directors (excluding the independent non-executive Directors, being members of the independent board committee, who will give their opinion based on the recommendation from Optima Capital) are of the view that the entering into of the Wellkey Framework Agreement is in the ordinary and usual course of business of the Group, and the terms (including the proposed annual caps) of the Wellkey Framework Agreement which were agreed after arm's length negotiations on normal commercial terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

As Wellkey is a company controlled by Mr. He Jianfeng (the son of Mr. He Xiangjian who is the controlling shareholder of Midea) and therefore a connected person of the Company under the Listing Rules, the transactions contemplated under the Wellkey Framework Agreement constitutes continuing connected transactions of the Company. As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the proposed annual caps exceed

2.5% and the annual caps exceeds HK\$10,000,000, the transactions contemplated under the Wellkey Framework Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

IV. RENEWAL OF LOGISTIC SERVICE AGREEMENT

Background

Reference is made to the announcement of the Company dated 17 April 2009 in respect of the Logistic Service Agreement entered into between the Company and Annto for a term of one year commencing on 1 January 2009. The Logistic Service Agreement sets out the terms and conditions pursuant to which Annto and its subsidiaries shall provide Logistic Services to the Group during the term of the Logistic Service Agreement.

The Logistic Service Agreement expired on 31 December 2009. On 13 April 2010, the Company and Annto entered into the Renewed Logistic Service Agreement for the continuation of the provision of Logistic Services.

Renewed Logistic Service Agreement

Date : 13 April 2010

Term : From 1 January 2010 to 31 December 2012

Parties: the Company; and
Annto

Nature of transaction: The provision of the Logistic Services by Annto and/or its subsidiaries to the Group.

Pricing basis: The quotations set out in the tender submitted by Annto to the Group, or (to the extent that any services or combination of services has not been specified in the quotations), as agreed between the parties.

The service fees will be determined with reference to the market price, together with quantity, distance and timing of the orders. The prices and conditions shall be no less favourable than those available to the Group from independent third parties.

Annual caps:

Pursuant to the Renewed Logistic Service Agreement, the value of the transactions contemplated thereunder shall not exceed the annual caps below:

	Year ending 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Logistic Services	10,000	15,300	18,500

For the year ended 31 December 2009, the service fees paid by the Group for the Logistic Services provided by Annto and/or its subsidiaries amounted to RMB1,860,000. The annual caps set out in the above table have been determined primarily based on (i) the historical service fees paid by the Group to Annto and its subsidiaries; (ii) the estimated increase in demand of the logistic services in line with the operation plan of the Group for the next three years; and (iii) the flexibility given for more Logistic Services to be provided by Annto subject to its successful bids to be accepted by the Group.

The total transportation expenses of the Group for each of the two years ended 31 December 2009 amounted to RMB49 million and RMB50 million respectively. The historical Logistic Services fees paid to Annto were accounted for only small portion of the total logistic service requirements from the Group. It is considered appropriate to set a higher amount of Logistic Services fees for a three-year term contract with Annto giving flexibility in the event that Annto will be elected as logistic service provider for more Logistic Services required by the Group subject to successful bids from Annto and discretion of the Group in the future.

Reasons for, and benefits of, the Renewed Logistic Service Agreement

Annto has been one of the logistic service providers of the Group since 2008. Notwithstanding the Renewed Logistic Service Agreement has been entered into between the Company and Annto, the Group is not restricted to use the logistic services to be provided by Annto and/or its subsidiaries. The selection of the logistic service providers by the Group for each of its different subsidiaries is still based on the prices offered through a bidding process carried out each year. Over the years of services, Annto has demonstrated that it is a professional logistic service provider with its extensive experience in providing high-quality logistic services. Annto has a wide service network covering over 160 servicing points together with its well-established information system, facilities and equipment and sufficient number of own trucks and vehicles.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Renewed Logistic Service Agreement is in the ordinary and usual course of business of the Group, and the terms (including the annual caps) of which were agreed after arm's length negotiations on normal commercial terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

As Annto is a subsidiary of Midea and therefore each of Annto and its subsidiaries is an associate of Midea and a connected person of the Company under the Listing Rules, the transactions

contemplated under the Renewed Logistic Service Agreement constitute continuing connected transactions of the Company. As all of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the annual caps for the continuation of the provision of Logistic Services under the Renewed Logistic Service Agreement are less than 2.5%, the transactions contemplated under the Renewed Logistic Service Agreement are only subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirements under the Listing Rules. Details of the Renewed Logistic Service 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.

V. FINANCIAL SERVICES FRAMEWORK AGREEMENT

Background

Reference is made to the announcements of the Company dated 23 April 2009 and 10 July 2009 respectively in respect of the capital contribution agreement dated 23 April 2009 entered into between GD Welling (a wholly owned subsidiary of the Company), Midea and GD Midea for the formation of the Finance Company in the PRC. Approval had been granted by the CBRC for the incorporation of the Finance Company. All the required documents in connection with the application for commencement of business of the Finance Company have been submitted to the relevant regulatory authorities.

On 13 April 2010, GD Welling entered into the Financial Services Framework Agreement with the Finance Company, pursuant to which, the Finance Company shall, from time to time during the term of the Financial Services Framework Agreement, upon request of GD Welling Group provide the Core Financial Services and Other Financial Services. The Financial Services Framework Agreement shall be effective upon approval by the Independent Shareholders at the EGM.

Financial Services Framework Agreement

- Date :** 13 April 2010
- Term :** From the date of approval of the Financial Services Framework Agreement by Independent Shareholders at the EGM to 31 December 2012
- Parties:** GD Welling; and
Finance Company
- Nature of transactions:** Pursuant to the Financial Services Framework Agreement, the Finance Company shall, upon request, from time to time provide to GD Welling Group with the Core Financial Services and Other Financial Services as available in the Finance Company.

Principal terms:

Pursuant to the Financial Services Framework Agreement, the Finance Company shall provide financial services to GD Welling Group on normal commercial terms not less favourable than those available to GD Welling Group from independent third parties, in accordance with the following principles:

(a) Deposit

GD Welling Group may from time to time deposit money with Finance Company. Finance Company shall accept deposits from GD Welling Group at an interest rate (i) not lower than the benchmark interest rate set by the PBOC; and (ii) not lower than the interest rate offered by other PRC commercial banks.

(b) Loan

GD Welling Group may from time to time request Finance Company to provide loan to them. Finance Company shall provide such loan services to GD Welling Group at an interest rate (i) not higher than the benchmark interest rate set by the PBOC; and (ii) not higher than the interest rate offered by other PRC commercial banks. If security over the assets of GD Welling Group is required for the loan granted by the Finance Company, the maximum fair value of the security assets shall not exceed 150% of the total loan amount.

(c) Bills Discounting

GD Welling Group may from time to time request Finance Company to provide bills discounting services to them. Finance Company shall pay the face value of bills presented by GD Welling Group net of the discount interests with the discount rate (i) not higher than the benchmark discount rate set by the PBOC; and (ii) not higher than the discount rate offered by other PRC commercial banks.

(d) Foreign Exchange

Subject to the Finance Company being authorized by the relevant regulatory authority to deal in foreign currencies, GD Welling Group may from time to time request Finance Company to provide foreign exchange services to them. Finance Company shall buy or sell foreign currencies from or to GD Welling Group at the relevant exchange rates not less favourable than (i) the relevant foreign exchange rates set by the PBOC (if applicable); and (ii) the relevant foreign exchange rates available in other PRC commercial banks.

(e) Guarantee

GD Welling Group may from time to time request Finance Company to provide performance guarantee or credit guarantee for bank loans and other liabilities of GD Welling Group with a one-off service charge at a rate to be determined by reference to the relevant charging rates set by the PBOC (if applicable) but not higher than the rate charged by other PRC commercial banks for the same type of services.

(f) Other Financial Services

GD Welling Group may from time to time request Finance Company to provide Other Financial Services. The fees charged by the Finance Company for the provision of Other Financial Services shall be at a rate (i) not higher than the standard charging rate set by the PBOC (if applicable); and (ii) not higher than the rate charged by other PRC commercial banks for the same type of services.

Proposed annual caps:

Pursuant to the Financial Services Framework Agreement, the value of the transactions contemplated thereunder shall not exceed the proposed annual caps below:

	Year ending 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Deposit (daily maximum outstanding balance including accrued interest and handling fees)	461,000	512,000	561,000
Loan (daily maximum outstanding balance including accrued interest and handling fees)	609,000	911,000	1,253,000
Bills discounting (face value of the bills discounted)	1,590,000	1,939,000	2,308,000
Foreign exchange (US\$)	164,000	200,000	238,000
Guarantee	500,000	500,000	500,000

In arriving at the above proposed annual caps set out in the above table, the following factors have been considered:

- (i) the historical amounts of the respective Core Financial Services transactions between GD Welling Group and PRC commercial banks in the past three years;
- (ii) it is expected that the business growth and expansion of the Company in the following years will result in a substantial increase in the future management of the cash resources generated from business operations of the Group; and
- (iii) additional borrowings are required to satisfy the needs of forecast capital expenditures to be incurred in the business development and expansion of production capacity of the Group to fulfill the growing market demand of electrical household appliance in the PRC.

For the three years ended 31 December 2009, the maximum outstanding balances of the transactions in respect of each type of the Core Financial Services between GD Welling Group and PRC commercial banks are set out below:

	Historical figures		
	for year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Deposit (daily maximum outstanding balance including accrued interest and handling fees)	457,712	411,744	415,119
Loan (daily maximum outstanding balance including accrued interest and handling fees)	1,083,142	428,635	318,866
Bills discounting (face value of the bills discounted)	699,063	845,113	1,302,608
Foreign exchange (US\$)	86,615	155,717	134,322
Guarantee	-	-	-

Internal Controls and Risk Management

The following procedures are for internal control and risk management purposes of the Finance Company:

- (i) The Finance Company is a regulated non-bank financial institution which is required to establish its own systems of internal controls and risk management in accordance with the stringent regulations imposed on a finance company incorporated in the PRC and ensure the implementation of the corporate governance guidelines set by the CBRC. The Company will request the Finance Company to provide with it a copy of every regulatory report submitted by the Finance Company to the CBRC for the purpose of monitoring the continuous regulatory compliance of the Finance Company;
- (ii) The Finance Company shall provide the following reports on a regular and timely basis to the senior management of the Company for their monitoring of the updated financial status of the Finance Company;
 - (a) a copy of the monthly management accounts of the Finance Company on the tenth business day after the end of each month; and
 - (b) a copy of the annual financial statements of the Finance Company audited by external auditors upon its issue.
- (iii) The Finance Company shall be in strict compliance with the following risk monitoring indicators in respect of assets and liabilities ratios for financial institution issued by the CBRC in the operations of its business:
 - (a) the capital adequacy ratio is not less than 10%;
 - (b) the balance of inter-bank borrowings shall not exceed the total equity;
 - (c) the total guarantee provided shall not exceed the total equity;
 - (d) the short-term securities investment to total equity ratio is not more than 40%;
 - (e) the long-term investment to total equity ratio is not more than 30%;

- (f) the self-owned fixed asset to total equity ratio is not more than 20%; and
- (g) other risk monitoring indicators as specified by the CBRC.

(iv) Midea has undertaken to the Finance Company that in the event of financial difficulties of the Finance Company in discharging its payment obligations, Midea will inject additional capital to the Finance Company as required to fulfill its payment obligations in full.

Reasons for, and benefits of, the Financial Services Framework Agreement

The Directors (excluding the independent non-executive Directors, being members of the independent board committee, who will give their opinion based on the recommendation from Optima Capital) having considered the following factors, are of the view that the Financial Services Framework Agreement was entered into in the ordinary and usual course of business of the Group after arm's length negotiations on normal commercial terms and the terms of which (including the proposed annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole:

1. The Finance Company is a non-bank financial institution approved and regulated by PBOC and CBRC and is engaged in providing various financial services in compliance with the rules and other operational requirements set by these regulatory authorities. The Finance Company will establish its system of internal control and risk management and implement the corporate governance guidelines in accordance with the requirements of the CBRC;
2. The use of financial services to be provided by Finance Company provides one more option of financing channels to the Group. The Group can centrally control the funding arrangement through the Finance Company, and therefore can enhance efficiency of employment of funds between members of the Group. Centralization of cash resources can allow better and easier management;
3. The Finance Company is entitled to inter-bank interest rates for commercial banks in the PRC. Given that the interest rates and other terms of the Core Financial Services and the Other Financial Services available for GD Welling Group provided by the Finance Company will be no less favourable than those offered by other PRC commercial banks, the Group can benefit from the lower cost of funding and other financial service charges and thereby enhancing the profitability of the Group;
4. It is expected that the Finance Company, being an affiliated company of the Company controlled by Midea, will be placed in a better position to serve the financial needs of the Group as Midea is the controlling shareholder of the Company which has a thorough understanding of the operations and development needs of the Group. Accordingly, it is envisaged that the Finance Company will be more efficient in terms of processing transactions for the Group than other financial institutions;
5. The Finance Company will only provide financial services to entities related to Midea and therefore will be exposed to a lower level of potential risk than other PRC commercial banks which customers include unrelated entities. The capital risks of the Finance

Company are further reduced through the introduction of risk control measures as required under the direction of the CBRC;

6. The arrangements between GD Welling Group and the Finance Company under the Financial Services Framework Agreement do not preclude GD Welling Group from using other PRC commercial banks. GD Welling Group still has its own discretion in selecting other PRC commercial banks as its financial services provider as it thinks fit and appropriate for the benefits of the Group; and
7. The Company through GD Welling indirectly holds a 5% equity interest in the Finance Company and will share the profits of the Finance Company accordingly.

Listing Rules Implications

As the Finance Company is a subsidiary of Midea and therefore an associate of Midea and a connected person of the Company under the Listing Rules, the transactions contemplated under the Financial Services Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules. As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the proposed annual caps for the Core Financial Services exceed 2.5% and the annual caps exceeds HK\$10,000,000, the Core Financial Services under the Financial Services Framework Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

As it is expected that each of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the annual service charges and fees payable for the Other Financial Services will not exceed 0.1%, such transactions are exempt from all reporting, announcement and Independent Shareholders' approval requirements. Should such transactions exceed the exemption threshold in future, the Group will comply with the applicable connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

VI. 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.

VII. 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.

VIII. INFORMATION ABOUT WUXI LITTLE SWAN

The principal activities of Wuxi Little Swan Company Limited are the manufacture, sale and after-sale services of household appliances, industrial ceramic and porcelain products, environmental dry cleaning equipment, washing machine equipment, post-operation equipment and components and parts, washing and cleaning services, machine reprocessing, imports and exports of proprietary and agency products and technology, household appliance technology services and external sub-contracting projects.

IX. INFORMATION ABOUT WELLKEY

Wellkey is primarily engaged in the sale and distribution of varnished wires. It is a subsidiary of Zhejiang Shangfeng Industrial Holding Co., Ltd. (“Zhejiang Shangfeng”), a company listed on the Shenzhen Stock Exchange. Mr. He Jianfeng (the son of Mr. He Xiangjian who is the controlling shareholder of Midea) is the ultimate controller of Zhejiang Shangfeng by virtue of his controlling interest in Guangdong Yingfeng Group Company Limited, which in turn is the single largest shareholder of Zhejiang Shangfeng.

X. INFORMATION ABOUT ANNTO

Annto is a subsidiary of Midea with its principal business engaged in logistic and transportation services including cargo agents services, general road cargo transportation, warehousing management and logistic technologies consultation services.

XI. INFORMATION ABOUT THE FINANCE COMPANY

The Finance Company is a limited company incorporated in the PRC, owned as to 5% by GD Welling, 55% by Midea and 40% by GD Midea. The Finance Company is a non-bank financial institution regulated by the PBOC and the CBRC carrying on the business of providing deposit services, loan services, finance services and other finance related services to members of the Finance Company in the PRC in accordance with the provisions set out in the “Management of Group Finance Company” promulgated by the CBRC.

XII. GENERAL

An independent board committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the terms of the Equity Transfer Agreement, the Renewed Midea Framework Agreement, the Wellkey Framework Agreement and the Financial Services Framework Agreement. Optima Capital has been appointed as the independent financial adviser by the Board to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Equity Transfer Agreement, the Renewed Midea Framework Agreement, the Wellkey Framework Agreement and the Financial Services Framework Agreement and the transactions contemplated thereunder (including the respective proposed annual caps); (ii) a letter of advice from the independent board committee;

(iii) a letter of recommendation from Optima Capital; and (iv) the notice of EGM will be despatched to the Shareholders in accordance with the Listing Rules in due course.

The EGM will be convened by the Company at which resolutions will be proposed to seek approval from the Independent Shareholders for the Equity Transfer Agreement, the Renewed Midea Framework Agreement, the Wellkey Framework Agreement, the Financial Services Framework Agreement and the transactions contemplated thereunder respectively (including the proposed annual caps) by way of poll. Midea is the controlling shareholder of the Company holding approximately 67.52% of the issued share capital of the Company as at the date of this announcement and a party interested or taken to be interested in the Equity Transfer Agreement, the Renewed Midea Framework Agreement, the Wellkey Framework Agreement and the Financial Services Framework Agreement and the transactions to be contemplated thereunder. As such, each of Midea and its associates will abstain from voting on the relevant resolutions to be proposed at the EGM.

DEFINITIONS

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

“Acquisition”	means the acquisition of 100% equity interest in Huayin by Welling Washer Motor from Wuxi Little Swan pursuant to the Equity Transfer Agreement;
“Annto”	means 蕪湖安得物流股份有限公司 (Wuhu Annto Logistics Co., Ltd*), a limited company incorporated in the PRC and a subsidiary of Midea;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	means the board of Directors;
“CBRC”	means 中國銀行業監督管理委員會(China Banking Regulatory Commission);
“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 it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Core Financial Services”	means the deposit, loan, bills discounting, foreign exchange and guarantee services to be provided by the Finance Company to GD Welling Group under the Financial Services Framework Agreement;

“Directors”	means the directors of the Company;
“EGM”	means the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the Equity Transfer Agreement, the Renewed Midea Framework Agreement, the Wellkey Framework Agreement, the Financial Services Framework Agreement and the transactions contemplated thereunder;
“Equity Transfer Agreement”	means the equity transfer agreement entered into between Welling Washer Motor and Wuxi Little Swan on 13 April 2010 in respect of the Acquisition;
“Finance Company”	means 美的集團財務有限公司 (Midea Group Finance Co., Ltd.*) a limited company incorporated in the PRC which is owned as to 5% by GD Welling, 55% by Midea and 40% by GD Midea;
“Financial Services Framework Agreement”	means the financial services framework agreement entered into between GD Welling and the Finance Company on 13 April 2010 in respect of the provision of Core Financial Services and Other Financial Services;
“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 approximately 42.49% interest as at the date of this announcement;
“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;
“GD Welling Group”	means GD Welling and its subsidiaries;
“Group”	means the Company and its subsidiaries;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Huayin”	means 無錫小天鵝華印電器有限公司(Wuxi Little Swan Huayin Electrical Appliances Co., Ltd.*), a limited company incorporated in the PRC, is owned as to 75% by Wuxi Little Swan and is expected to become a wholly-owned subsidiary of Wuxi Little Swan immediately before the Acquisition;
“Independent Shareholders”	means the Shareholders other than Mr. He Xiangjian and his associates;

“Listing Rules”	means the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“Logistic Services”	means logistic and transportation services including cargo transportation, cargo distribution, warehousing and custody, transshipment and loading and unloading, as well as other related ancillary services to be provided under the Logistic Service Agreement;
“Logistic Service Agreement”	means the logistic service agreement entered into between the Company and Annto on 17 April 2009 in respect of the provision of Logistic Services;
“Midea”	means 美的集團有限公司 (Midea Group Co., Ltd.*), a limited company incorporated in the PRC and the controlling shareholder of the Company holding approximately 67.52% of the issued share capital of the Company as at the date of this announcement;
“Midea Framework Agreement”	means the Midea framework agreement entered into between the Company and Midea on 22 February 2008 in respect of (i) the sale of motors and electronic and electric components for electrical household appliances by the Group to Midea Group; and (ii) the purchase of raw materials by the Group from Midea Group;
“Midea Group”	means Midea, its subsidiaries and associates;
“Optima Capital”	means Optima Capital Limited, a corporation licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO;
“Other Financial Services”	means the financial services other than the Core Financial Services to be provided by the Finance Company to GD Welling Group including financing consultancy services, credit verification and related consultancy and agency services, assistance in payment and receipt of transaction proceeds, approved insurance agency services, bills acceptance, intra-group transfer and settlement services, liquidation planning and other business as may be approved by the CBRC;
“PBOC”	means People’s Bank of China (中國人民銀行);
“PRC”	means the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan;

“Renewed Logistic Service Agreement”	means the new logistic service agreement entered into between the Company and Annto on 13 April 2010 for the renewal of the Logistic Service Agreement;
“Renewed Midea Framework Agreement”	means the sale and purchase framework agreement entered into between the Company and Midea on 13 April 2010 for the renewal of the Midea Framework Agreement;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“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);
“Welling Washer Motor”	means 佛山市威靈洗滌電機製造有限公司 (Foshan Welling Washer Motor Manufacturing Co., Ltd.*), a limited company incorporated in the PRC and a wholly-owned subsidiary of the Company;
“Wellkey”	means 佛山市威奇電工材料有限公司(Foshan City Wellkey Electrical Material Co., Ltd.*), a company controlled by Mr. He Jianfeng who is the son of Mr. He Xiangjian, the controlling shareholder of Midea and the ultimate controlling shareholder of the Company;
“Wellkey Framework Agreement”	means the purchase framework agreement entered into between the Company and Wellkey on 13 April 2010 in respect of the purchase of raw materials by the Group from Wellkey;
“Wuxi Little Swan”	means 無錫小天鵝股份有限公司(Wuxi Little Swan Co., Ltd.*), a limited company incorporated in the PRC and the shares of which are listed on the Shenzhen Stock Exchange, of which GD Midea is the single largest shareholder holding approximately 29.64% equity interest as at the date of this announcement;
“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 RMB0.8797=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, 13 April 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

** for identification purposes only*