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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Welling Holding Limited** (the “Company”), you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**CONTINUING CONNECTED TRANSACTIONS –
RENEWAL OF THE EXISTING MIDEA FRAMEWORK AGREEMENT
AND
NOTICE OF EGM**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



All capitalised terms used in this circular shall have the meanings set out in the section headed “Definitions” on pages 1 to 3 of this circular.

A notice convening the EGM to be held at Lotus Room, 6/F, Marco Polo Hongkong Hotel, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong on 31 May 2016 at 12:00 noon (or immediately after the conclusion or adjournment of the annual general meeting of the Company held at the same place, on the same date and at 11:30 a.m.) is set out on pages 41 to 42 of this circular. A form of proxy for the EGM is also enclosed.

Whether or not you are able to attend the EGM, you are requested to complete the relevant form of proxy in accordance with the instruction printed thereon and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting of the EGM. Completion and delivery of the form of proxy shall not preclude Shareholders from attending and voting in person at the EGM or any of their adjourned meetings should they so wish.

10 May 2016

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DEFINITIONS

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

“2016 Midea Framework Agreement”	the agreement entered into between the Company and Midea on 18 April 2016 in relation to the sale of Products and purchase of Raw Materials for a fixed term from 1 January 2017 to 31 December 2019 (both days inclusive)
“Board”	the board of Directors
“Company”	Welling Holding Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange (stock code: 382)
“Continuing Connected Transactions”	(i) the sale of Products by the Group to Midea Group; and (ii) the purchase of Raw Materials by the Group from Midea Group as contemplated under the 2016 Midea Framework Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Lotus Room, 6/F, Marco Polo Hongkong Hotel, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong on 31 May 2016 at 12:00 noon (or immediately after the conclusion or adjournment of the annual general meeting of the Company held at the same place, on the same date and at 11:30 a.m.) to consider and approve, among other things, the 2016 Midea Framework Agreement and the proposed annual caps contemplated thereunder
“Existing Midea Framework Agreement”	the agreement entered into between the Company and Midea on 29 April 2013 in relation to the sale of Products and purchase of Raw Materials for a fixed term from 1 January 2014 to 31 December 2016 (both days inclusive)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, Mr. Tan Jinsong, Mr. Lam Ming Yung and Ms. Cao Zhoutao
“Independent Shareholders”	Shareholders other than Midea and any of its associates
“Latest Practicable Date”	6 May 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Midea”	美的集團股份有限公司 (Midea Group Co., Ltd.*), a company incorporated in the PRC with limited liability (the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000333) and is the controlling shareholder of the Company holding approximately 68.64% of the issued share capital of the Company as at the date of this circular
“Midea Group”	Midea, its subsidiaries and associates, excluding the Company and its subsidiaries
“Midea Purchase CCTs”	the purchase of Raw Materials by the Group from Midea Group
“Midea Sales CCTs”	the sales of Products by the Group to Midea Group
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers
“Optima Capital”	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 and the independent financial adviser in respect of the 2016 Midea Framework Agreement

DEFINITIONS

“PRC”	People’s Republic of China, but for the purposes of this circular and for geographical reference only (unless otherwise indicated) excludes Hong Kong, Macau and Taiwan
“Products”	the motors and electronic and electric components for electrical household appliances and raw materials
“Raw Materials”	the raw materials, processed raw materials and motor samples
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wellkey”	廣東威奇電工材料有限公司 (Guangdong Wellkey Electrical Material Co., Ltd.*), a limited company incorporated in the PRC and a subsidiary of Zhejiang Shangfeng
“Zhejiang Shangfeng”	浙江上風實業股份有限公司 (Zhejiang Shangfeng Industrial Holdings Co., Ltd.*), a company listed on the Shenzhen Stock Exchange. Mr. He Jianfeng (the son of Mr. He Xiangjian who is the controlling shareholder of Midea, and Midea is the controlling shareholder of the Company) is the ultimate controller of Zhejiang Shangfeng by virtue of his controlling interest in Yingfeng Investment Holding Co., Ltd., which in turn is the single largest shareholder of Zhejiang Shangfeng
“%”	per cent

In addition, the terms “associate”, “close associate”, “connected person”, “core connected person”, “controlling shareholder”, “percentage ratios”, “holding company”, and “subsidiary” shall have the meanings ascribed to them under the Listing Rules.

* The Chinese names of the PRC entities have been translated into English in this circular for reference only. In the event of any discrepancies between the Chinese names of the PRC entities and their respective English translations, the Chinese version shall prevail.

Welling

WELLING HOLDING LIMITED

威靈控股有限公司

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

Executive Directors:

Mr. Xiang Weimin (Chairman)
Mr. Zhong Lin (Chief Executive Officer)
Ms. Pan Xinling
Mr. Li Li
Ms. Yuan Liqun
Mr. Li Feide

Registered Office:

Suite 3904, 39/F, Tower 6
The Gateway, Harbour City
9 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

Independent non-executive Directors:

Mr. Tan Jinsong
Mr. Lam Ming Yung
Ms. Cao Zhoutao

10 May 2016

*To the Shareholders and, for information only,
the holders of options to subscribe for shares of the Company*

Dear Sir/Madam

**CONTINUING CONNECTED TRANSACTIONS –
RENEWAL OF THE EXISTING MIDEA FRAMEWORK AGREEMENT
AND
NOTICE OF EGM**

INTRODUCTION

Reference is made to the announcement of the Company dated 18 April 2016 in relation to, among other things, the 2016 Midea Framework Agreement and the proposed annual caps contemplated thereunder which will be considered by the Independent Shareholders at the EGM.

The purposes of this circular are to provide you with, among other things, (1) further information relating to the details of the 2016 Midea Framework Agreement and the proposed annual caps contemplated thereunder; (2) a letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders; (3) the recommendation of the Independent Board Committee to the Independent Shareholders; and (4) a notice of the EGM.

LETTER FROM THE BOARD

RENEWAL OF THE EXISTING MIDEA FRAMEWORK AGREEMENT

Background

Reference is made to the announcement of the Company dated 29 April 2013 and the circular of the Company dated 14 May 2013 in respect of the Existing Midea Framework Agreement entered into between the Company and Midea for (i) the sale of Products by the Group to Midea Group; and (ii) the purchase of Raw Materials by the Group from Midea Group.

Given that the Existing Midea Framework Agreement will expire on 31 December 2016, the Company had on 18 April 2016 entered into the 2016 Midea Framework Agreement with Midea for the revision, setting of new annual caps and extension of the term of the Existing Midea Framework Agreement for a term of three years commencing from 1 January 2017 to 31 December 2019 (both days inclusive).

2016 Midea Framework Agreement

Date: 18 April 2016

Parties: (1) The Company
(2) Midea

Mr. He Xiangjian is the ultimate beneficial owner of Midea. For details, please refer to notes 4 and 5 under the sub-section headed “Substantial shareholders’ interest” in Appendix I to this circular on pages 37 to 38.

Nature of transactions: Pursuant to the 2016 Midea Framework Agreement, the Group will (i) sell Products to Midea Group; and (ii) purchase Raw Materials from Midea Group.

The Group and Midea Group will enter into individual contracts setting out specific terms of the Midea Sales CCTs and Midea Purchase CCTs. The terms of the individual contracts shall be consistent with the principles and the terms of the 2016 Midea Framework Agreement. If there is any conflict between the terms of an individual contract and the 2016 Midea Framework Agreement, the latter shall prevail.

LETTER FROM THE BOARD

- Term:** The 2016 Midea Framework Agreement has a fixed term commencing on 1 January 2017 and ending on 31 December 2019 (both days inclusive). Each party may serve notice to the other party at least three months prior to the expiry of the 2016 Midea Framework Agreement to renew the Continuing Connected Transactions subject to compliance with the then applicable regulations and requirements, including but not limited to the Listing Rules. Either party may terminate the 2016 Midea Framework Agreement during the term by giving three-month prior notice.
- Condition:** The 2016 Midea Framework Agreement is conditional upon the approval of the Independent Shareholders at the EGM. If such condition is not fulfilled by 31 December 2016 or such later date as may be agreed by the Company and Midea in writing, the 2016 Midea Framework Agreement shall terminate with immediate effect and none of the parties shall have any rights against the other party except in relation to any antecedent breach of the 2016 Midea Framework Agreement.
- Payment terms:** The payment terms for the Continuing Connected Transactions will be stipulated in the relevant individual contracts. Depending on the Products to be sold or Raw Materials to be purchased (as the case may be), the Continuing Connected Transactions will normally be settled in the form of cash or promissory notes within one month after issuance of invoices or on an agreed period basis.
- Pricing policy:** As a general principle, the price and terms of the individual contracts in respect of the Continuing Connected Transactions will be on normal commercial terms negotiated on an arm's length basis, or on a similar basis as the Group transacts business with other independent third parties. If the Group obtains more reasonable prices and terms for the contemplated Products or Raw Materials under the Continuing Connected Transactions from an independent third party, the Group will negotiate with Midea Group for comparable price and terms of the Products or Raw Materials and has full discretion to decide whether to engage Midea Group if comparable price and terms cannot be obtained.

LETTER FROM THE BOARD

Subject to the general principle, the Group will also consider and follow the internal pricing policy and procedures of the Group when determining the price of the individual orders:

Sale of the Products

The pricing terms for individual orders shall be determined by reference to (a) the costs of the Products (such as the direct labor cost, delivery cost, and/or cost of raw materials (as the case may be)) as calculated by the accounts department and the sales and marketing department of the Group; (b) the prevailing market price of products of comparable quality, specifications, quantities and related delivery costs (the “Prevailing Market Terms”) based on the market information collected by the sales and marketing department of the Group through its network from time to time; and (c) where applicable, the terms agreed with independent customers for products of comparable quality, specifications, quantities and related delivery costs in recent transactions (the “Independent Products Pricing Terms”). Based on the above, the sales and marketing department of the Group will take into account the costs of the Products as a benchmark reference, upon which the sales and marketing department of the Group will determine the final prices through comparison with the Prevailing Market Terms or Independent Products Pricing Terms from at least two independent customers of the Group of similar products, depending on the availability of such information at the time of transaction. In any event, the sales and marketing department of the Group will conduct such comparison before entering into each transaction with Midea Group and will ensure that the pricing terms agreed with Midea Group are not less favourable than the Prevailing Market Terms or the Independent Products Pricing Terms.

LETTER FROM THE BOARD

Purchase of the Raw Materials

The pricing terms for individual orders of Raw Materials shall be determined by reference to (a) the prevailing market price of similar raw materials as publicly announced on the established websites selected by the procurement department of the Group such as www.mysteel.com, which contains pricing information in relation to the current and historical market price of steel compiled by Shanghai Ganglian E-Commerce Co., Ltd. which collects data from market participants and updates the pricing of steel; or (b) the pricing terms of raw materials of comparable quality, specifications, quantities and required time of delivery offered by the independent suppliers (the “Independent Raw Material Pricing Terms”) to the Group based on the quotations obtained from at least two independent suppliers on the Group’s approved list of suppliers selected by the criteria of quality and stability. By comparison, the procurement department of the Group will ensure that the pricing terms of the Raw Materials are no less favourable than the prevailing market price or the Independent Raw Material Pricing Terms available to the Group.

Existing annual caps and historical transaction amounts:

The table below sets out the existing annual caps in respect of Midea Sales CCTs and Midea Purchase CCTs as contemplated under the Existing Midea Framework Agreement and the historical transaction amounts for the three years ending 31 December 2016:

	For the year ended 31 December 2014 RMB'000	For the year ended 31 December 2015 RMB'000	For the year ending 31 December 2016 RMB'000
(1) Existing annual caps of Midea Sales CCTs	5,000,000	6,000,000	7,380,000
Historical transaction amounts	3,262,292	2,943,019	717,615 ^(Note 1)
(2) Existing annual caps of Midea Purchase CCTs	160,000	195,000	238,000
Historical transaction amounts	36,085	37,966	31,768 ^(Notes 1 and 2)

LETTER FROM THE BOARD

Notes:

1. This is the historical transaction amount for the three months ended 31 March 2016.
2. The Group would only source Raw Materials from Midea Group occasionally, where there is an imminent need of Raw Materials or the specific types of Raw Materials are required to be used for production of specific types of Products to be sold to Midea. Accordingly, the relatively low usage of the previous approved caps for the two years ended 31 December 2014 and 2015 was due to the infrequent occurrence of these kinds of occasions in the last two years. The significant increase for the first quarter of 2016 was mainly due to the unstable supply of Raw Materials in the PRC market giving rise to more frequent sourcing through Midea Group.

Proposed annual caps:

The table below sets out the proposed annual caps in respect of Midea Sales CCTs and Midea Purchase CCTs as contemplated under the 2016 Midea Framework Agreement for the three years ending 31 December 2019:

	For the year ending 31 December 2017 RMB'000	For the year ending 31 December 2018 RMB'000	For the year ending 31 December 2019 RMB'000
(1) Proposed annual caps of Midea Sales CCTs	4,250,000	4,650,000	5,100,000
(2) Proposed annual caps of Midea Purchase CCTs	48,000	53,000	58,000

In arriving at the aforesaid annual caps, the Directors have determined mainly by reference to:

Midea Sales CCTs

(i) the historical compounded annual growth rate of the total sales of the Group for the period from 2005 to 2015 ^(Note 1) of approximately 10%; (ii) the average ratio of sales to Midea Group over the total sales of the Group (the “Midea Sales Ratio”) for the period from 2009 to 2015 ^(Note 1) of approximately 47%; and (iii) a 15% buffer catering for the potential price fluctuations arising from inflation or price surge of raw materials.

LETTER FROM THE BOARD

Midea Purchase CCTs

(i) the historical compounded annual growth rate of the total sales of the Group for the period from 2005 to 2015 ^(Note 1) of approximately 10%; (ii) the average ratio of purchase from Midea Group over the total purchase of the Group for the period from 2009 to 2015 ^(Note 2) of approximately 0.73%; and (iii) a 15% buffer catering for the potential price fluctuations arising from inflation or price surge of raw materials.

Despite the significant transaction amount of the Midea Purchase CCTs for the first quarter of 2016 of approximately RMB31,768,000, the Directors consider that the proposed annual cap for the year ending 31 December 2017 is sufficient and prudent, given the caps were estimated based on historical transaction amounts and have already included a growth rate of 10% in purchases and 15% buffer for potential price fluctuations.

Notes:

1. The over-accumulation of inventory of Midea Group for the year ended 31 December 2011 and termination of the home appliances replacement subsidy policy promulgated by the PRC government in late 2011 had imposed a negative impact on the sales of the Group to Midea Group for the year ended 31 December 2012 and distorted the 2012's Midea Sales Ratio. Accordingly, the Company had not taken into account the relevant ratios attributed to the year ended 31 December 2012 when determining the proposed annual caps for Midea Sales CCTs and Midea Purchase CCTs.

The Midea Sales Ratios of each year for the period from 2009 to 2015 are as follow:

Year	2009	2010	2011	2012	2013	2014	2015
Midea Sales Ratio	52%	50%	55%	33%	41%	44%	45%

2. The aggregate purchase amount from Midea Group had excluded the amount of raw materials/varnished wires indirectly purchased from Wellkey (a subsidiary of Zhejiang Shangfeng) through Midea Group for the period from 2009 to 2012. The Company had directly entered into a purchase framework agreement with Zhejiang Shangfeng from 1 January 2013 onwards.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Continuing Connected Transactions are conducted because of the business and operation needs of the Group. The Directors are of the view that the Group would benefit from entering into the 2016 Midea Framework Agreement for the following reasons:

Midea Sales CCTs

The Group and Midea Group have been conducting the Midea Sales CCTs since 2008. Midea Group has been the largest customer of the Group, and sales to Midea Group accounted for approximately 45% of the Group's annual revenue in 2015. The relationship with Midea Group is mutual and complimentary. On the one hand, the Group is able to leverage on Midea Group's dominant market position in the PRC and secure a stable source of income. On the other hand, Midea Group is able to rely on the Group's Products which are tailor-made to their specifications.

The Products are sold in business sectors with concentrated market share. Midea Group, being one of the dominant players in the electrical household appliances industry, has a significant market share in the PRC. In 2015, Midea took second place in the air-conditioner and washing machine market share ranking (Source: China Market Monitor Co., Ltd. 北京中怡康時代市場研究有限公司). Given some of the dominant players are competitors of Midea Group, it is unlikely that they will purchase products from the Group, which is a subsidiary of Midea. It is expected the Midea Sales CCTs will continue to contribute stable revenue streams for the Group in the future. The continuation of the sale of Products to Midea Group is beneficial to and in the interests of the Group.

Apart from Midea Group, the Company had also sold products to more than 200 independent customers, bringing in revenue which accounted for approximately 55% of the Group's total revenue in 2015.

The Directors are of the view that having around 50% of sales derived from Midea Group is justified and the wide spread of another half of sales to more than 200 independent customers, together with the internal control measures mentioned in the paragraph headed "Internal Control and Risk Management Measures" in this circular, are sufficient to safeguard the potential risk of over-reliance on Midea Group.

LETTER FROM THE BOARD

Midea Purchase CCTs

The Group has been purchasing Raw Materials for manufacturing motors and electronic and electric components of electrical household appliances through Midea Group's material procurement platform due to the business and operation needs of the Group. Midea Group has been a reliable supplier of Raw Materials and has a thorough understanding of the Group's requirements, and the Group is of the view that it is more efficient for the Group to leverage on the benefits of their expertise in procurement of materials, which in turn helps the Group to enhance overall operational efficiency.

INTERNAL CONTROL AND RISK MANAGEMENT MEASURES

The following internal control and risk management measures have been implemented in order to ensure and safeguard that the transactions contemplated under the 2016 Midea Framework Agreement will not be prejudicial to the interests of the Company and the Shareholders as a whole:

- (1) The Group has established a series of measures and policies to ensure that the Continuing Connected Transactions will be conducted in accordance with the terms of the 2016 Midea Framework Agreement. The internal audit department of the Group will conduct random internal checks to ensure that the internal control measures in respect of the Continuing Connected Transactions remain complete and effective, and report the same to the independent non-executive Directors during the audit committee meetings.
- (2) The accounts department of the Group shall be responsible for monitoring the actual transaction amounts of the Continuing Connected Transactions on a monthly basis to ensure it does not exceed the caps. The sales and marketing department and the procurement department of the Group will review the internal pricing policy for the Continuing Connected Transactions annually. Should the sales and marketing department and the procurement department of the Group consider appropriate to adjust the pricing mechanism or policy, it will propose to the management of the Group for approval.
- (3) The independent non-executive Directors have reviewed and will continue to review the Continuing Connected Transactions as well as the pricing policy, at least annually, to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the 2016 Midea Framework Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.
- (4) The auditor of the Company will conduct an annual review on the pricing and annual caps of the Continuing Connected Transactions.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Midea is the controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. As the applicable percentage ratios exceed 5% on an annual basis, the transactions contemplated under the 2016 Midea Framework Agreement constitute continuing connected transactions of the Company which are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Both Ms. Yuan Liqun and Mr. Li Feide are directors of the Company and Midea. They were regarded as having a material interest in the transactions contemplated under the 2016 Midea Framework Agreement and had abstained from voting in respect of the relevant Board resolutions passed at the Directors' meeting held for considering and approving the terms of the 2016 Midea Framework Agreement. Save as disclosed above, none of the Directors has a material interest in the 2016 Midea Framework Agreement.

INFORMATION OF THE COMPANY AND MIDEA

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 and refrigerators.

Midea is the controlling shareholder of the Company. It is an investment holding company which is principally engaged in the production of home appliances, motors and their parts, import and export of home appliances, home appliances raw materials and parts, installation, maintenance and after-sales service of home appliances.

EGM, PROXY ARRANGEMENT AND BOOK CLOSURE

The Company will convene the EGM for the purpose of, among other things, seeking the approval of the Independent Shareholders on the 2016 Midea Framework Agreement and the proposed annual caps contemplated thereunder. In compliance with Rule 13.39(4) of the Listing Rules, all the resolutions to be proposed at the EGM will be voted by poll. The voting results of the EGM will be announced in the manner prescribed under Rule 13.39(5) of the Listing Rules.

As Midea is the controlling shareholder of the Company and is a party interested in the 2016 Midea Framework Agreement and the proposed annual caps contemplated thereunder, Midea and its associates, in aggregate interested in 1,965,702,779 shares of the Company, representing approximately 68.64% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on the relevant resolution to be proposed at the EGM.

LETTER FROM THE BOARD

A notice of the EGM is set out on pages 41 to 42 of this circular and a form of proxy is also enclosed. Whether or not you are able to attend and vote at the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible and in any event not less than 48 hours before the time of the meeting or any adjournment thereof to the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof should you so wish.

For the purpose of ascertaining the shareholders' rights of attending and voting at the meeting, the register of members of the Company will be closed from 26 May 2016 to 31 May 2016, both days inclusive, during which period no transfer of shares shall be effected. In order to be entitled to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the share registrar 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 25 May 2016.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors whose recommendation is contained in the Letter from the Independent Board Committee on page 16 of this circular) are of the view that the 2016 Midea Framework Agreement was entered into on normal commercial terms and the terms of the 2016 Midea Framework Agreement including the proposed annual caps contemplated thereunder are in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board recommends the Independent Shareholders to vote in favour of the proposed ordinary resolution regarding the 2016 Midea Framework Agreement and the proposed annual caps contemplated thereunder, as set out in the notice of the EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 16 of this circular which contains its views and recommendation to the Independent Shareholders; and (ii) the letter from Optima Capital set out on pages 17 to 34 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders, in relation to the 2016 Midea Framework Agreement and the proposed annual caps contemplated thereunder and the principal factors and reasons considered by it in arriving at its opinions.

Your attention is drawn to the additional information as set out in the appendixes to this circular.

Yours faithfully
On Behalf of the Board
Welling Holding Limited
Xiang Weimin
Chairman

Welling

WELLING HOLDING LIMITED

威靈控股有限公司

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

10 May 2016

To the Independent Shareholders

Dear Sir/Madam

CONTINUING CONNECTED TRANSACTIONS – RENEWAL OF THE EXISTING MIDEA FRAMEWORK AGREEMENT

We refer to the circular issued by the Company to the Shareholders dated 10 May 2016 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you in respect of the terms of the 2016 Midea Framework Agreement and the proposed annual caps contemplated thereunder. Optima Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. None of the members of the Independent Board Committee has any direct or indirect interest in the 2016 Midea Framework Agreement and the proposed annual caps contemplated thereunder.

Your attention is drawn to the letter from the Board and the letter from Optima Capital respectively set out on pages 4 to 15 and 17 to 34 of the Circular.

Having considered the principal factors and reasons considered by and the advice of Optima Capital as set out in the Circular, we are of the view that (i) the terms of the 2016 Midea Framework Agreement (including the proposed annual caps) are in the ordinary and usual course of business of the Company, fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the transactions contemplated under the 2016 Midea Framework Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the 2016 Midea Framework Agreement (including the proposed annual caps) and the transactions contemplated thereunder.

Yours faithfully
Independent Board Committee
of

Tan Jinsong
*Independent non-executive
Director*

Welling Holding Limited
Lam Ming Yung
*Independent non-executive
Director*

Cao Zhoutao
*Independent non-executive
Director*

LETTER FROM OPTIMA CAPITAL

The following is the letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

10 May 2016

*To: The Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Midea Sale CCTs; (ii) the Midea Purchase CCTs (collectively, the “Continuing Connected Transactions”); and (iii) the proposed annual caps for each of the Midea Sale CCTs and the Midea Purchase CCTs for the three years ending 31 December 2017 to 2019 (collectively, the “Annual Caps”). Details of the Continuing Connected Transactions (including the Annual Caps) are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 10 May 2016 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined.

Midea is the controlling shareholder of the Company and hence a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2016 Midea Framework Agreement (viz. the Continuing Connected Transactions) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The transactions therefore constitute continuing connected transactions for the Company.

As one of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) calculated by reference to the Annual Caps is more than 5% and more than HK\$10,000,000, the Continuing Connected Transactions are subject to the reporting, announcement and Independent Shareholders’ approval requirements under the Listing Rules.

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In this connection, the Company will seek the Independent Shareholders' approval for the 2016 Midea Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) at the EGM by way of poll. Midea and its associates, as a party interested or taken to be interested in the aforesaid transactions, will abstain from voting on the ordinary resolution to be proposed at the EGM for approving the aforesaid transactions and the related caps.

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. Tan Jinsong, Mr. Lam Ming Yung and Ms. Cao Zhoutao, has been formed to advise and make recommendations to the Independent Shareholders on the Continuing Connected Transactions (including the Annual Caps). We, Optima Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company and Midea or their respective core connected persons, close associates or associates and accordingly are considered to be eligible to give independent advice on the Continuing Connected Transactions (including the Annual Caps). In April 2014, we were engaged by the Company as the independent financial advisers to advise the Independent Board Committee and the Independent Shareholders on the terms of the major and continuing connected transactions of the Group (details of which are set out in the circular of the Company dated 13 June 2014). Having considered that our advice and recommendation given in respect of each transaction are based on our assessment of the terms and rationale behind, rather than previous engagement, and apart from normal professional fees payable to us in connection with our engagements, no arrangement exists whereby we will receive any fees or benefits from the Company and Midea or the parties in previous continuing connected transactions on which we were engaged to advise, or their respective core connected persons, close associates or associates, we consider that previous engagement would not affect our independence and the services we provided.

In formulating our opinion, we have reviewed, amongst others, the announcement of the Company dated 18 April 2016 in relation to the 2016 Midea Framework Agreement, the annual report of the Company for the year ended 31 December 2015, the calculation of the Annual Caps together with the relevant supporting documents, and the information contained in the Circular. We have also discussed with and reviewed information provided by the management of the Group regarding businesses of the Group and prospects of conducting the Continuing Connected Transactions.

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We have relied on the information and facts supplied, and the opinions expressed to us, by the Directors and management of the Group and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions to us. We have relied on such information and consider that the information we have received to be sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation with regard to the Continuing Connected Transactions (including the Annual Caps), we have taken into account the principal factors and reasons set out below:

1. Information on the Group

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 and refrigerators.

2. Information on Midea Group

Midea Group is principally engaged in the production of home appliances, motors and their parts, import and export of home appliances, home appliances raw materials and parts, installation, maintenance and after-sales service of home appliances.

3. Reasons for and benefits of the entering into of the Continuing Connected Transactions

As set out in the letter from the Board of the Circular, the Continuing Connected Transactions are conducted to cater for the business and operation needs of the Group, and the Directors are of the view that the Group would benefit from entering into the 2016 Midea Framework Agreement for the following reasons:

Midea Sales CCTs

Midea Group has been the largest customer of the Group, and sales to Midea Group accounted for approximately 45% of the Group's annual revenue in 2015. It is expected the Midea Sales CCTs will continue to contribute stable revenue streams for the Group in the future. In addition, Midea Group, being one of the dominant players in the electrical household appliances industry, has a significant market share in the

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PRC. In 2015, Midea took second place in the air-conditioner and washing machine market share ranking (Source: China Market Monitor Co., Ltd. 北京中怡康時代市場研究有限公司). The continuation of the sale of Products to Midea Group is beneficial to and in the interests of the Group.

Midea Purchase CCTs

The Group has been purchasing Raw Materials for manufacturing motors and electronic and electric components of electrical household appliances through Midea Group's material procurement platform due to the business and operation needs of the Group. Midea Group has been a reliable supplier of Raw Materials and has a thorough understanding of the Group's requirements, and the Group is of the view that it is more efficient for the Group to leverage on the benefits of their expertise in procurement of materials, which in turn helps the Group enhance overall operational efficiency.

Having regard to the principal business and operations of the Group and the reasons for and benefits of the entering into of the Continuing Connected Transactions above, we concur with the Directors' view that the entering into of the Continuing Connected Transactions are in the ordinary and usual course of business of the Group.

4. The Continuing Connected Transactions

(i) Background

As set out in the letter from the Board, Midea Group has long been the largest customer of the Group. For the year ended 31 December 2015, the sale of Products by the Group to Midea Group amounted to approximately RMB2.9 billion (equivalent to approximately HK\$3.7 billion), representing approximately 45% of the Group's annual revenue for the year. It is expected the Midea Sales CCTs will continue to contribute stable revenue streams for the Group in the future.

The Group has also been purchasing Raw Materials from Midea Group for manufacturing motors and electronic and electric components of electrical household appliances when there is an imminent need of Raw Materials for production, having considered that Midea Group has satellite locations for storage of Raw Materials in the PRC, which can ensure timely and stable delivery of Raw Materials to the nearby factories of the Group in case of imminency. For the year ended 31 December 2015, the purchase of Raw Materials by the Group from Midea Group amounted to approximately RMB37,966,000 (equivalent to approximately HK\$47,163,000), representing approximately 0.80% of the Group's annual total purchase for the year.

On 29 April 2013, the Company and Midea Group entered into the Existing Midea Framework Agreement in relation to the renewal of the arrangement of the sale of Products to Midea Group and purchase of Raw Materials from Midea Group.

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Details of which are set out in the announcement of the Company dated 29 April 2013 and the circular of the Company dated 14 May 2013. The Existing Midea Framework Agreement and the transactions contemplated thereunder (including the relevant annual caps for the three years ended 31 December 2014 to 2016) were approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 30 May 2013.

As the Existing Midea Framework Agreement will expire on 31 December 2016, on 18 April 2016, the Company and Midea entered into the 2016 Midea Framework Agreement with a view to setting out the principal terms of the Continuing Connected Transactions (including the Annual Caps) for the three years ending 31 December 2019.

(ii) Term and conditions of the 2016 Midea Framework Agreement

As set out in the letter from the Board, the 2016 Midea Framework Agreement has a fixed term commencing on 1 January 2017 and ending on 31 December 2019 (both days inclusive). Each party may serve notice to the other party at least three months prior to the expiry of the 2016 Midea Framework Agreement to renew the Continuing Connected Transactions subject to compliance with the then applicable regulations and requirements, including but not limited to the Listing Rules. Either party may terminate the 2016 Midea Framework Agreement during the term by giving three-month prior notice.

The 2016 Midea Framework Agreement is conditional upon the approval of the Independent Shareholders at the EGM. If such condition is not fulfilled by 31 December 2016 or such later date as may be agreed by the Company and Midea in writing, the 2016 Midea Framework Agreement shall terminate with immediate effect and none of the parties shall have any rights against the other party except in relation to any antecedent breach of the 2016 Midea Framework Agreement.

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(iii) Pricing terms of the Continuing Connected Transactions

According to the 2016 Midea Framework Agreement, the pricing terms of the Products and Raw Materials are to be determined based on (i) the general principle of normal commercial terms negotiated on an arm's length basis, or on a similar basis as the Group transacts business with other independent third parties; and (ii) the internal pricing policy and procedures of the Group set out below:

Sale of the Products

The pricing terms for individual orders shall be determined by reference to: (a) the costs of the Products (such as the direct labor cost, delivery cost, and/or cost of raw materials (as the case may be)) as calculated by the accounts department and the sales and marketing department of the Group; (b) the prevailing market price of products of comparable quality, specifications, quantities and related delivery costs (the "Prevailing Market Terms") based on the market information collected by the sales and marketing department of the Group through its network from time to time; and (c) where applicable, the terms agreed with independent customers for products of comparable quality, specifications, quantities and related delivery costs in recent transactions (the "Independent Products Pricing Terms"). Based on the above, the sales and marketing department of the Group will take into account the costs of the Products as a benchmark reference and determine the final prices through comparison with the Prevailing Market Terms or Independent Products Pricing Terms from at least two independent customers of the Group of similar products, depending on the availability of such information at the time of transaction. In any event, the sales and marketing department of the Group will conduct such comparison before entering into each transaction with Midea Group and will ensure that the pricing terms agreed with Midea Group are not less favourable than the Prevailing Market Terms or the Independent Products Pricing Terms.

Our assessment

In assessing whether the pricing mechanism for the Midea Sale CCTs is fair and reasonable, we have done the following:

- (i) We have discussed with the management of the Company, and understand that Midea Group is the largest customer of the Group's products, with sale of Products of approximately RMB3.2 billion and RMB2.9 billion for the financial year ended 31 December 2014 and 2015 respectively, representing around 50% of the total sales of the Group in each of the two financial years.

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- (ii) We have discussed with the management and understand that the costs of each model of Products are estimated through an internal sales system of the Group, enabling the officer of accounts department of the Group to take into account all relevant costs of motor products as a benchmark for determining the selling price but in any event the final price will be determined by reference to the market price or price offered by independent customers after arm's length negotiation. We understand that the costs estimation takes into account a wide range of parameters including but not limited to cost of raw materials, direct labour cost, delivery costs, manufacturing costs, administrative costs, tariff, credit period, degree of customisation of the product, storage period, etc. Given the comprehensiveness of the system and the fact that it applies to all products manufactured by the Group, irrespective of whether the products are to be sold for Midea Sale CCTs or transactions with independent third parties, we consider the Group's reliance on this system to set the benchmark price of the Products is sensible.
- (iii) We understand from the management of the Group that, having considered the benchmark price of the Products estimated based on internal sales system of the Group, the sales and marketing department of the Group will determine the final selling price of the Products based on the comparison with the pricing terms offered by the independent customers for the products of comparable specification, quality, quantity and related delivery costs. In this regard, we have examined a total of 40 invoices in respect of the Midea Sales CCTs ("Midea Sales Invoices") conducted in the two financial years ended 31 December 2014 and 2015, representing a total transaction amount of approximately RMB350,000,000 and 6% of the total sales of the Group in each of the financial years. Having considered the enormous amount of Midea Sale CCTs (viz. RMB3.2 billion and RMB2.9 billion in financial year of 2014 and 2015 respectively) and huge number of transactions of Midea Sale CCTs conducted in the last two years, we consider it unduly burdensome to conduct the sample check based on the coverage. We therefore have selected the top 10 invoices for each of the financial years based on the transaction amount of the Midea Sales CCTs, another 10 Midea Sale Invoices selected on a random basis for each of the financial years for our review. In view of the limitation in practice, we consider that the selection method and limited coverage are reasonably fair and justified for our review. For comparison with the pricing terms of the product with largest transaction amount of each of the Midea Sale Invoices, we have then examined same number of invoices (viz. 40) of the independent

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customers (the “Independent Sale Invoices”) corresponding to Midea Sales Invoices of the products of comparable quality and/or specification. Based on our review and comparison of the invoices, we note that the pricing terms of the Products offered by the Group to Midea Group were priced according to the pricing policy, and therefore are not less favourable than those offered to the independent third parties.

- (iv) We have also discussed with the management of the Company and understand that the accounting manager of accounts department of the Group is responsible for estimating the total costs of production of the Products through the internal sales system, and the sales and marketing department is responsible for obtaining the prevailing market price through its network for comparison purpose. Based on the comparison, the sales representative will present the comparison results to the manager and general manager of sales and marketing department, who based on the criteria including but not limited to pricing, quality, quantity, urgency and cost of delivery, will approve the terms offered to Midea Group if they are no less favourable than the terms offered to the independent third parties. If they are not, the sales representative will further negotiate with Midea Group for comparable price and terms of the Products. In view of this, we believe that measures in place in the Group to ensure the compliance of the Midea Sale CCTs with the Listing Rules are adequate and appropriate.
- (v) We have also reviewed the letter issued by the auditors of the Company confirming that the transactions conducted with Midea Group under Existing Midea Framework Agreement (a) have received approval of the Board; (b) are in accordance with pricing policies of the Company; (c) have been entered into according to the Existing Midea Framework Agreement; and (d) have not exceeded the relevant approved caps.

In view of the above, we consider that the pricing mechanism in respect of Midea Sales CCTs (by comparing the pricing terms offered to Midea Group with the terms offered to independent third parties) is sufficient to ensure that the Midea Sale CCTs are on normal commercial terms and the terms thereof are fair and reasonable.

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Purchase of the Raw Materials

The pricing terms for individual orders of Raw Materials shall be determined by reference to: (a) the prevailing market price of similar raw materials as publicly announced on the established website selected by the procurement department of the Group; or (b) the pricing terms of raw materials of comparable quality, specifications, quantities and required time of delivery offered by the independent suppliers to the Group based on the quotations obtained from at least two independent suppliers on the Group's approved list of suppliers selected by the criteria of quality and stability. By comparison, the procurement department of the Group will ensure that the pricing terms of the Raw Materials are no less favourable than the prevailing market price or the pricing terms offered by the independent suppliers.

Our assessment

In assessing whether the pricing mechanism for the Midea Purchase CCTs is fair and reasonable, we have done the following:

- (i) We have discussed with the management of the Company, and surfed on the specific website (www.mysteel.com) (the "Selected Website"), which is one of the most popular steel information websites in the PRC, from which the procurement department of the Group made reference to in respect of the prevailing market prices of the Raw Materials. We note that the Selected Website is a one-stop portal website providing a wide range of information of steel, including but not limited to the daily market prices of different kinds of steel products in different cities of the PRC. As shown on the Selected Website, it was established in May 2000 by Shanghai Ganglian E-Commerce Co., Ltd., which was listed on Shenzhen Stock Exchange in 2011 and is an integrated IT service provider specialized in supplying steel info services, network technology, E-Commerce services and logistic management software for metallurgic enterprises. Based on the above, the reliance on the market information regularly released on the Selected Website as a reference price for the procurement of the Group is reasonable.
- (ii) We have examined a total of 15 invoices in respect of the Midea Purchase CCTs ("Midea Purchase Invoices") conducted in the two financial years ended 31 December 2014 and 2015, which represented more than 50% of the total purchases of Raw Materials by the Group in each of the financial years. The Midea Purchase Invoices were selected based on the materiality of the transaction amounts and represented top 7 and top 8 transactions of the Midea Purchase CCTs in the financial year of 2014 and 2015, respectively. In view of the coverage and the materiality of the Midea

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Purchase Invoices, we are satisfied that the sample size and the selection method are fair and representative for the purpose of our review. For comparison with the pricing terms offered by Midea Group, we have also reviewed the daily market price of steel extracted from the Selected Website by the procurement department of the Group, and note that the price of Raw Materials offered by Midea Group (as evidenced by the Midea Purchase Invoices) is the same or lower than average market price of Raw Materials as extracted from Selected Website. In addition, we have reviewed same number of verification documents corresponding to Midea Purchase Invoices (viz. 15), which involve (i) 8 invoices of the Raw Materials of comparable quality and quantity (the “Independent Purchase Invoices”) of the independent suppliers shortlisted by the Group (the “Shortlisted Suppliers”) based on the criteria of quality and stability of the supply of Raw Materials as well as the business scale; and (ii) 7 internal pricing quotations (the “Internal Pricing Quotations”) prepared by sales and marketing department for the designated Raw Materials detailed below. Based on our comparison, we note that the pricing terms offered by Midea Group to the Group are not less favourable than that offered by the Shortlisted Suppliers. Among the Midea Purchase CCTs we have reviewed, we understand from the management of the Company that there are occasions where the Group is required to purchase the types of Raw Materials designated by Midea Group for the production of Products to be sold to Midea Group. Accordingly, the prices of the designated types of Raw Materials were determined mainly by Midea Group, but in any event would be fully transferred to the price of Products to be sold to Midea Group after production. In this regard, we have reviewed the 7 Internal Pricing Quotations prepared by sales and marketing department, which showed that the price of the designated Raw Materials (as evidenced by those Midea Purchase Invoices in respect of designated types of Raw Materials) had been fully transferred in the final price of the Products sold to Midea Group. Given the price of the designated Raw Materials are fully transferred in the price of the Products and hence will be solely borne by Midea Group, we consider that the pricing of the designated types of Raw Materials are commercially justified and would not jeopardise the interests of the Company and the Shareholders as a whole.

- (iii) We have also discussed with the management of the Company and understand that the officer of procurement department of the Group is responsible for obtaining quotations from Midea Group, keeping track with the market prices of the Raw Materials in a centralised master file from time to time, and obtaining quotations from the Shortlisted Suppliers for comparison purpose. Based on the comparison of the above, the officer will present the comparison results to the manager of procurement department of

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the Group, who based on the criteria including but not limited to pricing, quality, quantity, urgency and cost of delivery, will approve the terms offered by Midea Group if they are no less favourable than the market prices or the terms offered by the Shortlisted Suppliers. If they are not, the manager of the procurement department of the Group will further negotiate with Midea Group for comparable price and terms of the Raw Materials. In view of this, we believe that measures in place in the Group to ensure the compliance of the Continuing Connected Transactions with the Listing Rules are adequate and appropriate.

- (iv) We have also reviewed the letter issued by the auditors of the Company confirming that the transactions conducted with Midea Group under Existing Midea Framework Agreement (a) have received approval of the Board; (b) are in accordance with pricing policies of the Company; (c) have been entered into according to the Existing Midea Framework Agreement; and (d) have not exceeded the relevant approved caps.

In view of the above, we consider that the pricing mechanism in respect of Midea Purchase CCTs (by comparing the purchase price offered by Midea Group with the prevailing market price from reliable source or with the terms offered by independent Shortlisted Suppliers) is sufficient to ensure that the Midea Purchase CCTs are on normal commercial terms and the terms thereof are fair and reasonable.

5. The Annual Caps

Set out below are the Annual Caps for the year ending 31 December 2017 to 2019:

Proposed annual caps (RMB'000)	For the year ending 31 December		
	2017	2018	2019
Midea Sale CCTs	4,250,000	4,650,000	5,100,000
Midea Purchase CCTs	48,000	53,000	58,000

Proposed Sale Caps

In assessing the fairness and reasonableness of the proposed annual caps for Midea Sale CCTs (the “Proposed Sale Caps”), we have reviewed the 2016 Midea Framework Agreement and discussed with the management of the Company, from which we understand that the Proposed Sale Caps were determined based on:

- (i) the historical compounded annual growth rate of the total sales of the Group for the period from 2005 to 2015 ^(Note) of approximately 10% (the “10-YR CAGR”);

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- (ii) the average ratio of sales to Midea Group over the total sales of the Group for the period from 2009 to 2015 ^(Note) (the “Midea Sales Ratio”) of approximately 47%; and
- (iii) a 15% buffer catering for the potential price fluctuations arising from inflation or price surge of raw materials.

Note: The over-accumulation of inventory of Midea Group for the year ended 31 December 2011 and termination of the home appliances replacement subsidy policy promulgated by the PRC government in late 2011 had imposed a negative impact on the sales of the Group to Midea Group for the year ended 31 December 2012 and distorted the 2012’s Midea Sales Ratio. Accordingly, the Company had not taken into account the relevant ratios attributed to the year ended 31 December 2012 when determining the proposed annual caps for Midea Sales CCTs and Midea Purchase CCTs. Set out below are the Midea Sales Ratio for the financial years ended 31 December 2009 to 2015:

Financial year	2009	2010	2011	2012	2013	2014	2015
Midea Sales Ratio	52%	50%	55%	33%	41%	44%	45%

The Directors consider that the reliance on Midea Group is normal and justified and will not impose disproportionate risk to the Group, taking into account the significant market share of Midea Group in the air-conditioners and washing machines sector in the PRC, and the fact that certain major players in the market are unlikely to purchase products from the Group given the keen competition with Midea Group. The Directors expect that the Midea Sales Ratio would be in line with the historical level in the coming years.

To this end, we have conducted the following for our assessment:

- (i) we have reviewed and analysed the historical transaction amounts of Midea Sale CCTs for the three years ending 31 December 2016 as follows:

<i>(RMB’000)</i>	For the year ended 31 December		For the year ending 31 December
	2014	2015	2016
Existing annual caps	5,000,000	6,000,000	7,380,000
Historical transaction amounts	3,262,292	2,943,019	717,615 ^(Note)
%	65.2	49.1	9.7 ^(Note)

Note: This is the historical transaction amount for the three months ended 31 March 2016.

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Based on our discussion with the management of the Company, we understand that the decrease in the historical transaction amounts for the year ended 31 December 2015 was mainly attributable to the high level of inventory of Midea Group resulting from downturn of air-conditioning industry and “price war” in the PRC.

- (ii) Based on the annual reports of the Company published on the website of the Stock Exchange and the financial information provided by the Company, we have calculated the 10-YR CAGR and the Midea Sales Ratio, which was approximately 10% and 47% respectively, having disregarded the relevant figures of the financial year of 2012. We understand from the management of the Company that due to the over-accumulation of inventory level of Midea Group during the year ended 31 December 2011 and termination of the home appliances replacement subsidy policy promulgated by the PRC government in late 2011, the Group had resulted in an anomalous negative impact on the total sales of the Group (the “2012 Sales”) as well as the sales to Midea Group for the year ended 31 December 2012 (the “2012 Midea Sales”). Accordingly, the Company has not taken into account 2012 Sales and 2012 Midea Sales Ratio when determining the Proposed Sale Caps. We have reviewed the financial information of the Group for the year ended 31 December 2012 and noted that the 2012 Sales dropped significantly by 30% as compared with a growth of 31% recorded in previous year. We understand from the management of the Company that the 2012 Midea Sales also dropped 58% from previous year, and the 2012 Midea Sales Ratio also dropped to 33%. In view of this, we consider the Company’s prudent approach to disregard the anomalies when determining the Proposed Sale Caps is sensible and justified.

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- (iii) We understand from the terms of the 2016 Midea Framework Agreement and the management of the Company that the pricing terms of the Products will be determined by reference to, among others, the cost of production including but not limited to cost of raw materials. As such, price fluctuations in the raw materials would have significant impact on the price of the Products, which in turn affect the Proposed Sale Caps. In view of this, the Company has embedded 15% buffer to the Proposed Sale Caps particularly for the possible price fluctuations of the raw materials. We have collected the price information of major raw materials (viz. copper, aluminium, steel) for production of Products from the Selected Website (www.mysteel.com) and Bloomberg. Based on our analysis, the price of these major raw materials fluctuated with a highest-to-lowest difference ranging from approximately 27.1% to approximately 35.0%. In view of the significant price fluctuations, we consider the Directors' approach to embed 15% buffer in the Proposed Sale Caps for the price fluctuations of raw materials is prudent and justified.
- (iv) Having discussed in details with the management of the Company, we understand that the Proposed Sale Caps were, in substance, estimated based on the following formula:

$$\text{Proposed Sale Caps} = \text{Total Sales} \times (1 + 10\text{-YR CAGR}) \times \text{Midea Sales Ratio} \times (1 + 15\%)$$

Total Sales	:	the actual total sales of the Group for the previous year
10-YR CAGR	:	the compound annual growth rate for the period from 2005 to 2015
Midea Sales Ratio	:	the average ratio of sales to Midea Group over the total sales of the Group for the period from 2009 to 2015

As no actual sales figures were available for the year ending 31 December 2016 as at the Latest Practicable Date, the Proposed Sale Caps for the year of 2017 was estimated based on the actual sales of the Group for the year of 2015 (viz. RMB6.5 billion), and assuming the total sales in 2016 and 2017 grow with the 10-YR CAGR. Having reviewed the annual report of the Company for the year ended 31 December 2015, and advised by the Group that the sales to Midea Group for that year was approximately RMB2.9 billion, we are assured that the Proposed Sale Caps for the three years ending 31 December 2019 were estimated according to the above formula.

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Proposed Purchase Caps

In assessing the fairness and reasonableness of the proposed annual caps for Midea Purchase CCTs (the “Proposed Purchase Caps”), we have reviewed the 2016 Midea Framework Agreement and discussed with the management of the Company, from which we understand that the Proposed Purchase Caps were determined based on:

- (i) the 10-YR CAGR of approximately 10%;
- (ii) the average ratio of purchase from Midea Group over the total purchase of the Group for the period from 2009 to 2015 ^(Note) (the “Midea Purchase Ratio”) of approximately 0.73%; and
- (iii) a 15% buffer catering for the potential price fluctuations arising from inflation or price surge of raw materials.

Note: The aggregate purchase amount from Midea Group had excluded the amount of raw materials/varnished wires indirectly purchased from Wellkey (a subsidiary of Zhejiang Shangfeng) through Midea Group for the period from 2009 to 2012. The Company had directly entered into a purchase framework agreement with Zhejiang Shangfeng from 1 January 2013 onwards.

To this end, we have conducted the following for our assessment:

- (i) we have reviewed and analysed the historical transaction amounts of the Midea Purchase CCTs for the three years ending 31 December 2016 as follows:

<i>(RMB' 000)</i>	For the year ended		For the year
	31 December		ending
	2014	2015	31 December
Existing annual caps	160,000	195,000	238,000
Historical transaction amounts	36,085	37,966	31,768 ^(Note)
%	22.6	19.5	13.3 ^(Note)

Note: This is the historical transaction amount for the three months ended 31 March 2016.

Based on our discussion with the management of the Company, we understand that Group normally only sourced Raw Materials from Midea Group occasionally. For example, where there is an imminent need of Raw Materials or specific types of Raw Materials are required to be used for production of specific types of Products to be sold to Midea. Accordingly, the relatively low usage of the previous approved caps for the two years ended 31 December 2014 and 2015 was due to the low frequency of these kinds of occasions in the last two years. The transaction amounts for the Midea Purchase CCTs significantly increased for

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the first three months ended 31 March 2016 was mainly due to the unstable supply of Raw Materials in the PRC market giving rise to more frequent sourcing through Midea Group. Despite the significant transaction amount of the Midea Purchase CCTs for the first quarter of 2016 of approximately RMB31,768,000, we concur with the Directors' view that the proposed annual cap for the year ending 31 December 2017 is sufficient and prudent, given the caps were estimated based on historical transaction amount and have already included a growth rate of 10% in purchases and 15% buffer for potential price fluctuations.

- (ii) We have assessed the reasonableness and fairness of adopting 10-YR CAGR in respect of the Proposed Sale Caps and considered that the Company's prudent approach to remove the anomalies of financial year 2012 from the calculation of CAGR when determining the Proposed Purchase Caps is sensible and justified.
- (iii) We understand from the management of the Company that the pricing terms of the Raw Materials will be directly affected by market price fluctuations of the raw materials and hence we concur with the Directors' approach to embed a buffer to cater for the price fluctuations of the raw materials. As the Raw Materials are mainly steel, we have obtained the daily market price of steel in the year of 2015 from the Selected Website and noted that the steel price had fluctuated from the highest to the lowest point with a difference of approximately 35.0%. In view of the significant price fluctuation, we consider the Directors' approach to embed 15% buffer in the Proposed Purchase Caps for catering the price fluctuations of raw materials is prudent and justified.
- (iv) Having discussed in details with the management of the Company, we understand that the Proposed Purchase Caps were, in substance, estimated based on the following formula:

$$\text{Proposed Purchase Caps} = \text{Total Purchase} \times (1 + 10\text{-YR CAGR}) \times \text{Midea Purchase Ratio} \times (1 + 15\%)$$

Total Purchase : the actual total purchase of the Group for the previous year

10-YR CAGR : the compound annual growth rate for the period from 2005 to 2015

Midea Purchase Ratio : the average ratio of purchase from Midea Group over the total purchase of the Group for the period from 2009 to 2015

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Based on the total purchase amount of raw materials of the Group for the year ended 31 December 2015 of approximately RMB4.8 billion as obtained from the Group, the CAGR of approximately 10%, and the Midea Purchase Ratio of 0.73%, we are assured that the Proposed Purchase Caps for the three years ending 31 December 2019 were estimated according to the above formula.

Having considered bases for determining the Annual Caps and our work done on the assessment set out above, we are of the view that the Annual Caps are fair and reasonable as far as the Independent Shareholders are concerned.

6. Internal control and risk management measures

As set out in the letter from the Board, the following internal control and risk management measures have been implemented by the Group in order to ensure and safeguard that Continuing Connected Transactions will not be prejudicial to the interests of the Company and the Shareholders as a whole:

- (i) the Group has established a series of measures and policies to ensure that the Continuing Connected Transactions will be conducted in accordance with the terms of the 2016 Midea Framework Agreement. The internal audit department of the Group will conduct random internal checks to ensure that the internal control measures in respect of the Continuing Connected Transactions remain complete and effective, and report the same to the independent non-executive Directors during the audit committee meetings.
- (ii) The accounts department of the Group shall be responsible for monitoring the actual transaction amounts of the Continuing Connected Transactions on a monthly basis to ensure it does not exceed the caps. The sales and marketing department and the procurement department of the Group will review the internal pricing policy for the Continuing Connected Transactions annually. Should the sales and marketing department and the procurement department of the Group consider appropriate to adjust the pricing mechanism or policy, it will propose to the management of the Group for approval.
- (iii) The independent non-executive Directors have reviewed and will continue to review the Continuing Connected Transactions as well as the pricing policy, at least annually, to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the 2016 Midea Framework Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.
- (iv) The auditor of the Company will conduct an annual review on the pricing and annual caps of the Continuing Connected Transactions.

LETTER FROM OPTIMA CAPITAL

In light of the above, we consider that appropriate measures have been put in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

OPINION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the Continuing Connected Transactions is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; (ii) the Continuing Connected Transactions are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in relation to the Continuing Connected Transactions (including the Annual Caps).

Yours faithfully,
for and on behalf of
OPTIMA CAPITAL LIMITED
Benny Ng
Senior Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any the interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company:

(A) Long position in the shares of Midea

	Number of shares held			Total	Approximate percentage of shareholding
	Beneficial owner	Family interests	Corporate interests		
Mr. Zhong Lin	103,500	21,892	–	125,392	0.002%
Ms. Pan Xinling	52,500	–	–	52,500	0.001%
Ms. Yuan Liquan	90,750,000	–	–	90,750,000	1.418%

(B) Long position in the underlying shares – share options

(i) The Company

Name	Capacity	Date of grant	Exercise price (HK\$)	Exercise period	Total	Approximate
						percentage of shareholding
Mr. Lam Ming Yung	Beneficial owner	30/07/2007	3.9	30/07/2007 – 29/07/2017	400,000	0.014%

(ii) Midea

Name	Capacity	Date of		Exercise period	Total	Approximate percentage of shareholding
		grant	Exercise price (RMB)			
Mr. Zhong Lin	Beneficial owner	18/02/2014	11.01 (Note 1)	(Note 2)	225,000	0.008%
		27/05/2015	19.56 (Note 3)	(Note 4)	270,000	
Ms. Pan Xinling	Beneficial owner	18/02/2014	11.01 (Note 1)	(Note 2)	225,000	0.006%
		27/05/2015	19.56 (Note 3)	(Note 4)	180,000	
Mr. Li Li	Beneficial owner	18/02/2014	11.01 (Note 1)	(Note 2)	225,000	0.007%
		27/05/2015	19.56 (Note 3)	(Note 4)	225,000	
Mr. Li Feide	Beneficial owner	18/02/2014	11.01 (Note 1)	(Note 2)	1,125,000	0.018%

Notes:

- The shareholders of Midea approved a bonus issue of shares on the basis of 15 bonus shares for every 10 existing shares and the declaration of dividend for the year ended 31 December 2013 to the shareholders on 21 April 2014. Accordingly, adjustments were made to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from RMB48.79 to RMB18.72 on 26 May 2014. On 27 April 2015, the exercise price per share of the share options was adjusted to RMB17.72 to reflect the effect of declaration of dividend for the year ended 31 December 2014 to the shareholders. The shareholders of Midea approved a bonus issue of shares on the basis of 5 bonus shares for every 10 existing shares and the declaration of dividend for the year ended 31 December 2015 to the shareholders on 26 April 2016, therefore, adjustments were made to the number of outstanding share options and the exercise price per share of the share options was further adjusted to RMB11.01 on 6 May 2016.
- Subject to a vesting scale in three tranches and the achievement of the performance target of each relevant period, the first tranche of share options shall be exercisable from 17 February 2015 to 17 February 2017, the second tranche of share options shall be exercisable from 17 February 2016 to 17 February 2018 and the third tranche of share options shall be exercisable from 17 February 2017 to 17 February 2019.
- The shareholders of Midea approved a bonus issue of shares on the basis of 5 bonus shares for every 10 existing shares and the declaration of dividend for the year ended 31 December 2015 to the shareholders on 26 April 2016, therefore, adjustments were made to the number of outstanding share options and the exercise price per share of the share options was adjusted to RMB19.56 on 6 May 2016.

4. Subject to a vesting scale in three tranches and the achievement of the performance target of each relevant period, the first tranche of share options shall be exercisable from 27 May 2016 to 27 May 2018, the second tranche of share options shall be exercisable from 27 May 2017 to 27 May 2019 and the third tranche of share options shall be exercisable from 27 May 2018 to 27 May 2020.
5. No cash consideration was paid by each of the Directors for the grant of share options.

Substantial shareholders' interests

Save as disclosed below, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the shares of the Company

Name of Shareholder	Capacity	Number of shares held	Approximate percentage of shareholding
Midea Holding (Cayman Islands) Limited ("Midea (Cayman Islands)") ^(Note 1)	Beneficial owner	1,901,204,779	66.39%
Midea Investment Holding (BVI) Limited ("Midea Holding (BVI)") ^(Note 2)	Interests of a controlled corporation	1,901,204,779	66.39%
Midea ^(Note 3)	Interests of controlled corporations	1,965,702,779	68.64%
Midea Holding Co., Ltd. ("Midea Holding") ^(Note 4)	Interests of controlled corporations	1,965,702,779	68.64%
Mr. He Xiangjian ^(Note 5)	Interests of controlled corporations	1,965,702,779	68.64%

Notes:

1. These 1,901,204,779 shares of the Company were registered in the name of and beneficially owned by Midea (Cayman Islands).

2. Midea Holding (BVI) was deemed to be interested in the 1,901,204,779 shares of the Company in which Midea Holding (BVI) owns the entire equity interest in Midea (Cayman Islands).
3. There were 64,498,000 shares of the Company registered in the name of and beneficially owned by Midea International Corporation Company Limited (“Midea International”) which is a company wholly-owned by Midea. Midea Holding (BVI) is also wholly-owned by Midea. Accordingly, Midea was deemed to be interested in the aggregate of 1,965,702,779 shares of the Company including 64,498,000 shares in which Midea International was interested and 1,901,204,779 shares in which Midea Holding (BVI) was deemed to be interested.
4. The registered capital of Midea is owned as to 35.06% by Midea Holding. Accordingly, Midea Holding was deemed to be interested in the aggregate number of 1,965,702,779 shares of the Company in which Midea was deemed to be interested.
5. The registered capital of Midea Holding is owned as to 94.55% by Mr. He Xiangjian. Accordingly, Mr. He Xiangjian was deemed to be interested in the aggregate number of 1,965,702,779 shares of the Company in which Midea Holding was deemed to be interested.

3. DIRECTORS’ INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015, the date to which the latest published audited financial statements of the Group were made up.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

5. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered or proposed to enter into a service contract with any member of the Group which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. MATERIAL CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up.

7. EXPERT AND CONSENT

The following are the qualifications of the professional adviser who has given the Company opinions or provided advice referred to or contained in this circular:

Optima Capital	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.
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As at the Latest Practicable Date, Optima Capital had no shareholding interest, directly or indirectly, in any member of the Group or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, Optima Capital did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015, the date to which the latest published audited financial statements of the Group were made up.

Optima Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of the text of its letter and/or the references to its name in the form and context in which they respectively appear.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any weekday (except public holidays) at the registered office of the Company at Suite 3904, 39/F, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong from the date of this circular up to and including the date of the EGM and at the EGM:

- (a) the Existing Midea Framework Agreement;
- (b) the 2016 Midea Framework Agreement;

- (c) the letter from the Independent Board Committee dated 10 May 2016;
- (d) the letter from Optima Capital dated 10 May 2016;
- (e) the written consent referred to in the section headed “Expert and Consent” in this appendix; and
- (f) this circular.

Welling

WELLING HOLDING LIMITED

威靈控股有限公司

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

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of Welling Holding Limited (the “Company”) will be held at Lotus Room, 6/F, Marco Polo Hongkong Hotel, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong on 31 May 2016 at 12:00 noon (or immediately after the conclusion or adjournment of the annual general meeting of the Company held at the same place, on the same date and at 11:30 a.m.) for the purposes of considering and, if thought fit, pass with or without amendments the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. **“THAT**

- (a) the 2016 Midea Framework Agreement dated 18 April 2016 (the “2016 Midea Framework Agreement”, a copy of which has been produced to the meeting marked “A” and initialled by the Chairman of the meeting for identification purposes) entered into between the Company and 美的集團股份有限公司 (Midea Group Co., Ltd.*) for the purposes of, among other things, setting the new annual caps in respect of the sale of motors and electronic and electric components for electrical household appliances and raw materials and the purchase of raw materials, processed raw materials and motor samples contemplated thereunder for the three years ending 31 December 2019 be and are hereby approved, ratified and confirmed; and
- (b) any one of the Directors of the Company be and is hereby authorised to do all such acts and things, to sign and execute all documents or agreements under hand (and, where required, under the common seal of the Company together with any other Director or the Company Secretary) for and on behalf of the Company as he/she/they may consider necessary, desirable, appropriate or expedient in connection with and/or to implement and/or give effect to the 2016 Midea

Framework Agreement including the new annual caps contemplated thereunder and to agree to such verification, announcement or waiver as are, in the opinion of the Directors, in the interests of the Company.”

By order of the Board
Welling Holding Limited
Cheung Wai Yu
Company Secretary

Hong Kong, 10 May 2016

Notes:

1. For the purpose of ascertaining the shareholders' rights of attending and voting at the meeting, the register of members of the Company will be closed from 26 May 2016 to 31 May 2016, both days inclusive, during which period no transfer of shares shall be effected. In order to be entitled to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the share registrar 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 25 May 2016.
 2. A shareholder entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a shareholder of the Company.
 3. To be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the above meeting or any adjourned meeting.
 4. Delivery of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting or poll concerned. The instrument of proxy shall be valid as well for any adjournment of the above meeting.
 5. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
 6. In accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 美的集團股份有限公司 (Midea Group Co., Ltd.*) and its associates are required to abstain from voting on the above ordinary resolution.
 7. Voting of the ordinary resolution as set out in this notice will be by poll.
- * The Chinese name of this PRC entity has been translated into English in this notice for reference only. In the event of any discrepancy between the Chinese name of such PRC entity and its respective English translation, the Chinese version shall prevail.

As at the date of this notice, the Board of Directors of the Company comprises six Executive Directors, Mr. Xiang Weimin (Chairman), Mr. Zhong Lin (Chief Executive Officer), Ms. Pan Xinling, Mr. Li Li, Ms. Yuan Liqun and Mr. Li Feide, and three independent non-executive Directors, Mr. Tan Jinsong, Mr. Lam Ming Yung and Ms. Cao Zhoutao.