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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE PROVISION OF CORPORATE GUARANTEES
AND
DISCLOSURE PURSUANT TO RULE 13.16 OF THE LISTING RULES**

**PROVISION OF CORPORATE GUARANTEES FOR THE LOAN FACILITIES
GRANTED TO THE JV COMPANY**

The Board announces that on 21 November 2014, GD Welling (a wholly-owned subsidiary of the Company) as guarantor entered into the New Guarantee Agreements to provide guarantees in an aggregate amount of RMB278,000,000 in favour of Bank B, Bank C and Bank D respectively, in respect of the repayment obligations of the loan facilities granted to the JV Company by each of Bank B, Bank C and Bank D under the Bank Loan Agreement B, the Bank Loan Agreement C and the Bank Loan Agreements D respectively. The aggregate principal amount of the loan facilities is RMB340,000,000. Mr. Wang Chunxiang, the owner of 40% equity interest in Huaxiang which in turn owns 51% equity interest in the JV Company, separately entered into other guarantee agreements in respect of the same loan facilities to guarantee the repayment obligations of the JV Company on similar terms and on the same day.

As disclosed in the announcement of the Company dated 11 August 2014, prior to entering into the New Guarantee Agreements, GD Welling as guarantor entered into the 2014 August Guarantee in respect of the repayment obligation of the JV Company under the Bank Loan Agreement A in an amount of RMB100,000,000 and the JV Company entered into a security agreement in an amount of RMB200,000,000 pursuant to which it pledged certain of its land and buildings. Huaxiang and Mr. Wang Chunxiang separately entered into other guarantee agreements in an amount of RMB300,000,000 in respect of the same loan facility to guarantee the repayment obligation of the JV Company on the same day.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Bank B, Bank C, Bank D (and each of its ultimate beneficial owners) and Mr. Wang Chunxiang are third parties independent of the Company.

IMPLICATIONS UNDER THE LISTING RULES

The aggregate principal guarantee amount given by GD Welling under the New Guarantee Agreements and the 2014 August Guarantee is RMB378,000,000. The total guarantee amount under the New Guarantee Agreements, when aggregated with the guarantee amount of the 2014 August Guarantee which was entered into by GD Welling within the 12-month period preceding the date of the New Guarantee Agreements, exceeds 5% but are less than 25% of the applicable percentage ratios under Rule 14.07 of the Listing Rules. Therefore, the New Guarantees constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Apart from the provision of the New Guarantees, GD Welling has granted other guarantees to the JV Company which, as of the date of this announcement, are still outstanding, namely the 2010 Guarantee, the 2012 Guarantee and the 2014 August Guarantee, to guarantee the repayment obligations of the loan facilities granted to the JV Company. For details of the 2010 Guarantee, the 2012 Guarantee and the 2014 August Guarantee, please refer to the announcements of the Company dated 14 October 2010, 18 September 2012 and 11 August 2014 respectively. As the guarantee amount under all outstanding corporate guarantees given by GD Welling in respect of the loan facilities granted to the JV Company (including the 2010 Guarantee, the 2012 Guarantee, the 2014 August Guarantee and the New Guarantees), on an aggregated basis, exceeds 8% of the assets ratio defined under Rule 14.07(1) of the Listing Rules, this announcement is also made pursuant to Rule 13.16 of the Listing Rules.

PROVISION OF CORPORATE GUARANTEES FOR THE LOAN FACILITIES GRANTED TO THE JV COMPANY

The Board announces that on 21 November 2014, GD Welling (a wholly-owned subsidiary of the Company) as guarantor entered into the New Guarantee Agreements to provide guarantees in favour of Bank B, Bank C and Bank D respectively, in respect of the repayment obligations of the loan facilities granted to the JV Company by each of Bank B, Bank C and Bank D under the Bank Loan Agreement B, the Bank Loan Agreement C and the Bank Loan Agreements D respectively.

Details of the New Guarantee Agreements are set out below:

Guarantee to Bank B

1. Date: 21 November 2014
2. Borrower: JV Company
3. Lender: Bank B
4. Guarantor: GD Welling

5. Guarantee: GD Welling provided a guarantee in favour of Bank B in an amount of RMB50,000,000 to secure the repayment obligation of the JV Company under the Bank Loan Agreement B. The scope of the guarantee includes the principal amount of the loan, interests, fees, damages and enforcement expenses for breach of the underlying loan facility.
6. Loan facility: A loan facility in an amount of RMB100,000,000 was granted by Bank B to the JV Company at an interest rate equal to the basic interest rate plus 20% per annum (currently 7.2%, such interest rate may be adjusted any time in the future according to the basic interest rate for one year loan as announced by The People's Bank of China from time to time) payable on a monthly basis. The loan shall be used by the JV Company as its working capital.
7. Term: One year from 21 November 2014 to 20 November 2015.
8. Repayment: The loan under the Bank Loan Agreement B shall be repaid in full at maturity.

Guarantee to Bank C

1. Date: 21 November 2014
2. Borrower: JV Company
3. Lender: Bank C
4. Guarantor: GD Welling
5. Guarantee: GD Welling provided a guarantee in favour of Bank C in an amount of RMB100,000,000 to secure the repayment obligation of the JV Company under the Bank Loan Agreement C. The scope of the guarantee includes the principal amount of the loan, interests, fees, damages and enforcement expenses for breach of the underlying loan facility.
6. Loan facility: A loan facility in an amount of RMB100,000,000 was granted by Bank C to the JV Company at an interest rate equal to the basic interest rate plus 20% per annum (currently 7.2%, such interest rate may be adjusted any time in the future according to the basic interest rate for one year loan as announced by The People's Bank of China from time to time) payable on a monthly basis. The loan shall be used by the JV Company as its working capital.
7. Term: One year from 21 November 2014 to 20 November 2015.
8. Repayment: The loan under the Bank Loan Agreement C shall be repaid in full at maturity.

Guarantees to Bank D

1. Date: 21 November 2014
2. Borrower: JV Company
3. Lender: Bank D
4. Guarantor: GD Welling
5. Guarantee: GD Welling provided guarantees in favour of Bank D in an aggregate amount of RMB128,000,000 to secure the repayment obligation of the JV Company under the Bank Loan Agreements D. The scope of the guarantee includes the principal amount of the loan, interests, fees, damages and enforcement expenses for breach of the underlying loan facility.
6. Loan Facility: Loan facilities in an aggregate amount of RMB140,000,000 were granted by Bank D to the JV Company at an interest rate equal to the basic interest rate plus 15% per annum (currently 6.9%, such interest rate may be adjusted any time in the future according to the basic interest rate for one year loan as announced by The People's Bank of China from time to time) payable on a monthly basis. The loan shall be used by the JV Company as its working capital.
7. Term: One year from 21 November 2014 to 20 November 2015.
8. Repayment: The loan under the Bank Loan Agreements D shall be repaid in full at maturity.

As at the date of this announcement, the JV Company is owned as to 49% by GD Welling and 51% by Huaxiang. To secure the repayment obligations of the JV Company under the New Loans, the Board was informed that in addition to the New Guarantee Agreements, Mr. Wang Chunxiang, the owner of the 40% equity interest in Huaxiang, separately entered into other guarantee agreements in respect of the above loan facilities (to which neither the Company nor GD Welling is a party) to guarantee the repayment obligations of the JV Company on similar terms and on the same day.

DISCLOSURE PURSUANT TO RULE 13.16 OF THE LISTING RULES

Reference is made to the Company's announcements dated 14 October 2010, 18 September 2012 and 11 August 2014 in relation to, among others, the 2010 Guarantee, the 2012 Guarantee and the 2014 August Guarantee. As disclosed in the abovementioned announcements, GD Welling has given the 2010 Guarantee, the 2012 Guarantee and the 2014 August Guarantee for the loan facilities granted to the JV Company by Bank A, an independent commercial bank in the PRC.

As at the date of this announcement, the aggregate amount of outstanding corporate guarantees given by GD Welling for the loan facilities granted to the JV Company (including the 2010 Guarantee, the 2012 Guarantee, the 2014 August Guarantee and the New Guarantees) is RMB778,000,000, which exceeds 8% of the assets ratio defined under Rule 14.07(1) of the Listing Rules. Details of such guarantees required to be disclosed under Rule 13.16 of the Listing Rules are as follows:

	Name of lender	Amount of the loan facilities guaranteed by GD Welling RMB'000	Amount of the loans outstanding RMB'000	Actual amount guaranteed by GD Welling RMB'000	Final maturity date of the loans	Interest rate per annum	Security other than the guarantee
<i>Previous loans:</i>							
2010 Loan ⁽¹⁾	Bank A	300,000	91,000	91,000	27/09/2016	7.205%	Nil
2012 Loan ⁽²⁾	Bank A	100,000	59,000	59,000	27/09/2016	7.68%	Nil
2014 Loan A ⁽³⁾	Bank A	100,000	100,000	100,000	10/08/2015	6.6%	Land and buildings of the JV Company
Sub-total		500,000	250,000	250,000			
<i>New Loans:</i>							
2014 Loan B ⁽⁴⁾	Bank B	50,000	–	–	20/11/2015	7.2%	Nil
2014 Loan C ⁽⁴⁾	Bank C	100,000	–	–	20/11/2015	7.2%	Nil
2014 Loan D ⁽⁴⁾	Bank D	128,000	–	–	20/11/2015	6.9%	Nil
Total		778,000	250,000	250,000			

Note:

1. Please refer to the Company's announcement dated 14 October 2010 for details of the 2010 Loan.
2. Please refer to the Company's announcement dated 18 September 2012 for details of the 2012 Loan.
3. Please refer to the Company's announcement dated 11 August 2014 for details of the 2014 Loan A.
4. New Loans were approved on 21 November 2014 which are yet to be drawn down.

In the event of default by the JV Company and the enforcement of the 2010 Guarantee, the 2012 Guarantee, the 2014 August Guarantee and the New Guarantees by the relevant lenders against GD Welling, GD Welling shall use its internal resources to discharge its liabilities should any obligations arise under any of these guarantee agreements.

REASONS FOR, AND BENEFITS OF, PROVIDING THE CORPORATE GUARANTEE

The New Loans are to be used by the JV Company as new working capital and to provide new source of funds for the purpose of replacing some of the previous bank loans granted to the JV Company, which funds had been used in the construction of the production plant and facilities of the JV Company in the industrial park in Shanxi as well as the installation of the production equipment therein for the expansion of production capacity and enhancement of production efficiency of the high-value-added precision casting products, including high-speed rail parts, valve parts and vehicle parts. Such previous loans were repaid by installments with the internal funds of the JV Company to the lenders according to the repayment schedule set out in the relevant loan agreements. As a result, new funds are required to be sourced through obtaining the new loan facilities from Bank B, Bank C and Bank D to restore the financial position of the JV Company and to repay maturing loans in the near future.

The Board believes that the terms of the New Loans are on normal commercial terms at an interest rate which are comparable to the prevailing market rate in the PRC in respect of the same or similar types of loan facilities.

The New Guarantees were provided as security to enable the JV Company to obtain the respective underlying loan facilities from the relevant lenders respectively. The Directors (including the Independent Non-executive Directors) are of the view that the terms of the Bank Loan Agreement B, the Bank Loan Agreement C and the Bank Loan Agreements D are on normal commercial terms.

At the request of each of Bank B, Bank C and Bank D, GD Welling and Mr. Wang Chunxiang were required to enter into separate guarantees on the similar terms to guarantee the repayment obligations of the JV Company under the Bank Loan Agreement B, the Bank Loan Agreement C and the Bank Loan Agreements D. Given that the terms of the New Guarantees are similar to those required by other banks in the PRC which reflect the normal commercial practice in the banking industry in the PRC and that Mr. Wang Chunxiang has also separately entered into the respective guarantee agreements on the similar terms and conditions as those set out in the New Guarantees, the Directors (including the Independent Non-executive Directors) considered that the New Guarantees are made on normal commercial terms, fair and reasonable, and in the interests of the Company and its shareholders as a whole.

No fee or commission is payable by the JV Company to GD Welling or Mr. Wang Chunxiang for the provision of the New Guarantees.

IMPLICATIONS UNDER THE LISTING RULES

The aggregate principal guarantee amount given by GD Welling under the New Guarantee Agreements and the 2014 August Guarantee is RMB378,000,000. The total guarantee amount under the New Guarantee Agreements, when aggregated with the guarantee amount of the 2014 August Guarantee which was entered into by GD Welling within the 12-month period preceding the date of the New Guarantee Agreements, exceeds 5% but are less than 25% of the applicable percentage ratios under Rule 14.07 of the Listing Rules. Therefore, the New Guarantees constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Apart from the provision of the New Guarantees, GD Welling has granted other guarantees to the JV Company which, as of the date of this announcement, are still outstanding, namely the 2010 Guarantee, the 2012 Guarantee and 2014 August Guarantee, to guarantee the repayment obligations of the loan facilities granted to the JV Company. For details of the 2010 Guarantee, the 2012 Guarantee and the 2014 August Guarantee, please refer to the announcements of the Company dated 14 October 2010, 18 September 2012 and 11 August 2014 respectively. As the guarantee amount under all outstanding corporate guarantees given by GD Welling in respect of the loan facilities granted to the JV Company (including the 2010 Guarantee, the 2012 Guarantee, the 2014 August Guarantee and the New Guarantees), on an aggregated basis, exceeds 8% of the assets ratio defined under Rule 14.07(1) of the Listing Rules, this announcement is also made pursuant to Rule 13.16 of the Listing Rules.

None of the Directors has a material interest in the transactions contemplated under the New Guarantee Agreements.

GENERAL

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.

GD Welling, a wholly-owned subsidiary of the Company incorporated in the PRC, is principally engaged in the business of manufacture and distribution of motors and electronic and electric components for electrical household appliances.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Bank B, Bank C and Bank D are licensed commercial banks in the PRC and they provide a variety of financial products and services to corporate and personal banking customers, and their ultimate beneficial owners are third parties independent of the Company and its connected persons and any of their respective associates.

DEFINITIONS

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

“2010 Guarantee”	the guarantee given by GD Welling to Bank A for the 2010 Loan
“2010 Loan”	the loan in an amount of RMB300,000,000 granted by Bank A to the JV Company in 2010 to which GD Welling acted as a guarantor, details of which were disclosed in the Company's announcement dated 14 October 2010
“2012 Guarantee”	the guarantee given by GD Welling to Bank A for the 2012 Loan

“2012 Loan”	the loan in an amount of RMB100,000,000 granted by Bank A to the JV Company in 2012 to which GD Welling acted as a guarantor, details of which were disclosed in the Company’s announcement dated 18 September 2012
“2014 August Guarantee”	the guarantee given by GD Welling to Bank A for the 2014 Loan A to guarantee the repayment obligation of the JV Company in an amount of RMB100,000,000
“2014 Loan A”	the loan, bills acceptance and bills discounting facilities granted by Bank A under the Bank Loan Agreement A
“2014 Loan B”	the loan and bills acceptance facilities granted by Bank B under the Bank Loan Agreement B
“2014 Loan C”	the loan granted by Bank C under the Bank Loan Agreement C
“2014 Loan D”	the loan and bills acceptance facilities granted by Bank D under the Bank Loan Agreements D
“Bank A”	the lender of certain loan, bills acceptance and bills discounting facilities granted under the 2010 Loan, the 2012 Loan and the 2014 Loan A, an independent third party
“Bank B”	the lender of certain loan and bills acceptance facilities granted under the 2014 Loan B, an independent third party
“Bank C”	the lender of a loan facility granted under the 2014 Loan C, an independent third party
“Bank D”	the lender of certain loan and bills acceptance facilities granted under the 2014 Loan D, an independent third party
“Bank Loan Agreement A”	the working capital loan agreement entered into between the JV Company as the borrower and Bank A as the lender on 11 August 2014 in respect of the loan, bills acceptance and bills discounting facilities in the principal amount of RMB300,000,000
“Bank Loan Agreement B”	the working capital loan agreement entered into between the JV Company as the borrower and Bank B as the lender on 21 November 2014 in respect of the loan and bills acceptance facilities in the principal amount of RMB100,000,000
“Bank Loan Agreement C”	the working capital loan agreement entered into between the JV Company as the borrower and Bank C as the lender on 21 November 2014 in respect of the loan facility in the principal amount of RMB100,000,000

“Bank Loan Agreements D”	the working capital loan agreements entered into between the JV Company as the borrower and Bank D as the lender on 21 November 2014 in an aggregate amount of RMB140,000,000, which comprising (i) working capital loan for the principal amount up to RMB100,000,000; and (ii) bills acceptance for an amount up to RMB40,000,000
“Board”	the board of Directors of the Company
“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)
“Director(s)”	the director(s) of the Company
“GD Welling”	廣東威靈電機製造有限公司 (Guangdong Welling Motor Manufacturing Co., Ltd.*), a limited company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Guarantee to Bank B”	the guarantee agreement entered into by GD Welling as the guarantor in favour of Bank B as the lender on 21 November 2014 to guarantee the repayment obligation of the JV Company under the Bank Loan Agreement B
“Guarantee to Bank C”	the guarantee agreement entered into by GD Welling as the guarantor in favour of Bank C as the lender on 21 November 2014 to guarantee the repayment obligation of the JV Company under the Bank Loan Agreement C
“Guarantees to Bank D”	the guarantee agreements entered into by GD Welling as the guarantor in favour of Bank D as the lender on 21 November 2014 to guarantee the repayment obligation of the JV Company under the Bank Loan Agreements D
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Huaxiang”	山西臨汾華翔實業有限公司, a limited company incorporated under the laws of the PRC, another owner holding 51% equity interest in the JV Company
“JV Company”	山西華翔集團有限公司 (Shanxi Huaxiang Group Co., Ltd.*), a limited company incorporated under the laws of the PRC, which is owned as to 49% by GD Welling and 51% by Huaxiang and the borrower of the 2010 Loan, the 2012 Loan, the 2014 Loan A, the 2014 Loan B, the 2014 Loan C and the 2014 Loan D

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Wang Chunxiang”	王春翔先生 who is the owner holding 40% equity interest in Huaxiang
“New Guarantee Agreements”	the Guarantee to Bank B, the Guarantee to Bank C and the Guarantees to Bank D collectively
“New Guarantees”	the guarantee given by GD Welling under the New Guarantee Agreements
“New Loans”	the new loans granted by each of Bank B, Bank C and Bank D under each of the Bank Loan Agreement B, the Bank Loan Agreement C and the Bank Loan Agreements D
“PRC”	People’s Republic of China, but for the purposes of this announcement and for geographical reference only (unless otherwise indicated) excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

In addition, the terms “associate”, “connected person”, “connected transactions”, “controlling shareholder”, “percentage ratios”, “holding company”, “notifiable transactions” 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 announcement 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.*

On behalf of the Board
Welling Holding Limited
Zhou Xiangyang
Chairman and Chief Executive Officer

Hong Kong, 21 November 2014

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

Executive Directors: Mr. Zhou Xiangyang (Chairman and Chief Executive Officer), Mr. Yu Yonghua, Mr. Luo Huagang, Mr. Zhong Lin, Ms. Yuan Liqun and Mr. Li Feide

Independent Non-executive Directors: Mr. Tan Jinsong, Mr. Lam Ming Yung and Ms. Cao Zhoutao