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Welling

WELLING HOLDING LIMITED

威靈控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 382)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINAL RESULTS

The board of directors (the “Board”) of Welling Holding Limited (the “Company” or “Welling”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2015 (the “Year”), which had been reviewed by the audit committee of the Company (the “Audit Committee”) with the comparative figures for the corresponding period in the year 2014 (the “Previous Year”).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	Year ended 31 December	
		2015 HK\$'000	2014 HK\$'000
Revenue	3	8,040,366	9,273,399
Cost of goods sold		(6,930,634)	(7,848,965)
Gross profit		1,109,732	1,424,434
Other gains/(losses) – net	4	90,279	(10,258)
Selling and marketing expenses		(212,013)	(214,414)
Administrative expenses		(428,348)	(350,430)
Operating profit		559,650	849,332
Finance expenses		(4,162)	(54,609)
Finance income		24,137	16,416
Finance income/(expenses) – net	6	19,975	(38,193)
Share of profit of associates accounted for using the equity method		51,396	41,253

		Year ended 31 December	
		2015	2014
	Note	HK\$'000	HK\$'000
Profit before income tax		631,021	852,392
Income tax expense	7	<u>(108,322)</u>	<u>(171,217)</u>
Profit for the year		<u>522,699</u>	<u>681,175</u>
Profit attributable to:			
Owners of the Company		525,030	678,372
Non-controlling interests		<u>(2,331)</u>	<u>2,803</u>
		<u>522,699</u>	<u>681,175</u>
Earnings per share attributable to the owners of the Company, expressed in HK cents per share			
Basic	8	<u>18.34</u>	<u>23.76</u>
Diluted	8	<u>18.33</u>	<u>23.75</u>

Details of final dividend payable to equity shareholders of the Company are set out in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Year ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Profit for the year	<u>522,699</u>	<u>681,175</u>
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(265,564)	(11,198)
Change in value of available-for-sale financial assets	<u>11,704</u>	<u>6,011</u>
Other comprehensive loss for the year, net of tax	<u>(253,860)</u>	<u>(5,187)</u>
Total comprehensive income for the year	<u><u>268,839</u></u>	<u><u>675,988</u></u>
Total comprehensive income for the year attributable to:		
Owners of the Company	274,900	673,387
Non-controlling interests	<u>(6,061)</u>	<u>2,601</u>
	<u><u>268,839</u></u>	<u><u>675,988</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

		As at 31 December	
		2015	2014
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		197,646	215,212
Property, plant and equipment		1,194,052	1,246,679
Investment properties		46,591	52,435
Intangible assets		80,455	68,455
Investments accounted for using the equity method		345,897	328,918
Deferred income tax assets		19,499	44,631
Available-for-sale financial assets	10	120,306	118,678
Prepayments for property, plant and equipment	11	5,103	55,811
		<u>2,009,549</u>	<u>2,130,819</u>
Current assets			
Inventories		554,938	991,946
Trade and other receivables	11	2,986,724	2,878,479
Derivative financial instruments		9,249	25,975
Available-for-sale financial assets	10	720,857	–
Pledged bank deposits		76,960	79,928
Cash and cash equivalents		1,236,209	1,939,564
		<u>5,584,937</u>	<u>5,915,892</u>
Total assets		<u>7,594,486</u>	<u>8,046,711</u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		4,966,858	4,965,641
Other reserves		(2,757,335)	(2,539,934)
Retained earnings		2,132,848	1,838,646
		<u>4,342,371</u>	<u>4,264,353</u>
Non-controlling interests		<u>59,430</u>	<u>65,491</u>
Total equity		<u>4,401,801</u>	<u>4,329,844</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 31 December 2015*

		As at 31 December	
		2015	2014
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		136,224	120,007
Deferred government grants		32,137	34,615
		168,361	154,622
Current liabilities			
Trade and other payables	12	2,989,166	3,416,942
Derivative financial instruments		7,751	16,601
Current income tax liabilities		6,757	40,971
Borrowings		20,650	87,731
		3,024,324	3,562,245
Total liabilities		3,192,685	3,716,867
Total equity and liabilities		7,594,486	8,046,711

NOTES

1. GENERAL INFORMATION

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

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Suite 3904, 39/F, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors of the Company on 14 March 2016.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

2.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to HKFRSs – 2010 – 2012 Cycle, on HKFRS 8, ‘Operating segments’, HKAS 16, ‘Property, plant and equipment’ and HKAS 38, ‘Intangible assets’ and HKAS 24, ‘Related party disclosures’.

Amendments from annual improvements to HKFRSs – 2011 – 2013 Cycle, on HKFRS 3, ‘Business combinations’, HKFRS 13, ‘Fair value measurement’ and HKAS 40, ‘Investment property’.

The directors of the Company assess that the adoption of the new and revised HKFRSs have no material impact on the Group's operating results and financial position.

(b) *New Hong Kong Companies Ordinance (Cap.622)*

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) *New standards and interpretations not yet adopted*

New and revised standards, amendments and interpretations have been issued and are relevant to the Group but are not effective for the financial year beginning 1 January 2015 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018

The Group is in the process of making an assessment of the impact of the above new standards and amendments to existing standards.

3. SEGMENT INFORMATION

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

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

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

	2015	2014
	HK\$'000	HK\$'000
Revenue from customers in the PRC	5,606,554	6,359,667
Revenue from customers outside the PRC	2,433,812	2,913,732
	<u>8,040,366</u>	<u>9,273,399</u>

Revenue is allocated based on the country in which customers are located. No revenue derived from a single external customer has exceeded 10% of the total revenue.

No geographical segment analysis on non-current assets is prepared as substantially all of the Group's assets were located in the PRC.

4. OTHER GAINS/(LOSSES) – NET

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Government grants received (a)	18,079	11,949
Amortisation of deferred government grants	479	486
Derivative financial instruments:		
– fair value gain/(loss) on commodity futures contracts not qualified for hedge accounting	10,792	(17,614)
– fair value gain on foreign exchange forward contracts not qualified for hedge accounting	24,420	24,182
Dividend income from available-for-sale financial assets		
– equity investment	13,032	11,395
Exchange gain/(loss)	33,827	(2,210)
Loss on disposals of property, plant and equipment	(44,871)	(13,015)
Claim from suppliers	2,348	7,136
Rental income	6,903	4,417
Impairment charge of intangible assets	–	(37,880)
Investment income from available-for-sale financial assets		
– wealth management products	20,852	–
Others	4,418	896
	<u>90,279</u>	<u>(10,258)</u>

- (a) For the year ended 31 December 2015, majority of the amount was granted as subsidies for the Group's contribution to taxation and technology innovation. For the year ended 31 December 2014, majority of the amount was granted as subsidies for the Group's contribution to taxation and employment.

5. EXPENSES BY NATURE

Expenses included in cost of goods sold, selling and marketing expenses and administrative expenses are analysed as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cost of inventories recognised as expense	5,918,722	6,886,297
Employee benefit expenses	894,413	968,136
Depreciation of property, plant and equipment	188,712	150,227
Depreciation of investment properties	2,898	2,944
Amortisation of leasehold land and land use rights	5,213	5,295
Amortisation of intangible assets	4,415	3,166
Provision for impairment of trade receivables – net	9,277	10,269
Provision/(reversal) of impairment for inventories – net	874	(4,762)
Operating leases rental for land and buildings	12,533	13,731
Auditors' remuneration		
– Audit services	2,463	2,539
– Non-audit services	183	667
Research and development costs (a)	<u>108,823</u>	<u>82,904</u>

- (a) Under the research and development costs, an amount of HK\$97,236,000 (2014: HK\$81,619,000) was employee benefit expenses for research and development staff.

6. FINANCE INCOME/(EXPENSES) – NET

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest expenses	(15,972)	(33,290)
Exchange gain/(loss)	<u>11,810</u>	<u>(21,319)</u>
Finance expenses	(4,162)	(54,609)
Finance income – interest income on bank deposit	<u>24,137</u>	<u>16,416</u>
Net finance income/(expenses)	<u><u>19,975</u></u>	<u><u>(38,193)</u></u>

7. INCOME TAX EXPENSE

(a) Macao and British Virgin Islands profits tax

The Group has not been subject to any taxation in these jurisdictions for the year ended 31 December 2015 (2014: Nil).

(b) Hong Kong profits tax

Hong Kong profits tax is provided at annual income tax rate of 16.5% for the year ended 31 December 2015 (2014: 16.5%).

(c) PRC Corporate Income Tax

Group companies registered in the PRC are subject to PRC Corporate Income Tax (“CIT”). According to the new CIT effective from 1 January 2008, all PRC enterprises are subject to a standard corporate income tax rate of 25%, except for enterprises under specific preferential policies and provisions.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax		
– PRC corporate income tax	53,269	116,197
– Tax paid for transfer of share	–	29,406
– Hong Kong profits tax	<u>3,359</u>	<u>2,087</u>
	56,628	147,690
Deferred income tax	<u>51,694</u>	<u>23,527</u>
Income tax expense	<u><u>108,322</u></u>	<u><u>171,217</u></u>

8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2015	2014
Profit for the year attributable to the owners of the Company (HK\$'000)	<u>525,030</u>	<u>678,372</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000 shares)	<u>2,863,478</u>	<u>2,854,867</u>
Basic earnings per share (HK cents)	<u>18.34</u>	<u>23.76</u>

(b) Diluted

For the year ended 31 December 2015 and 2014, diluted earnings per share were calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are performance-based share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2015	2014
Profit for the year attributable to the owners of the Company (HK\$'000)	<u>525,030</u>	<u>678,372</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000 shares)	<u>2,863,478</u>	<u>2,854,867</u>
Adjustments for share options ('000 shares)	<u>243</u>	<u>1,316</u>
	<u>2,863,721</u>	<u>2,856,183</u>
Diluted earnings per share (HK cents)	<u>18.33</u>	<u>23.75</u>

9. DIVIDEND

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Proposed final dividend of HK6.5 cents per ordinary share (2014: HK7.5 cents)	<u>186,135</u>	<u>214,652</u>

At a meeting held on 14 March 2016, the Directors proposed a final dividend of HK6.5 cents per ordinary share (2014: HK7.5 cents). This proposed dividend is not reflected as a dividend payable in these consolidated financial statements.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current		
Equity investment, at fair value (a)	120,306	118,678
Current		
Investment in wealth management products, at fair value (b)	<u>720,857</u>	<u>–</u>
	<u>841,163</u>	<u>118,678</u>

- (a) Non-current available-for-sale financial assets represent the equity interests in an unlisted company, Midea Group Finance Co., Ltd (the “Finance Company”), which shall provide a range of financial services as approved by the China Banking Regulatory Commission. The registered capital of the Finance Company was RMB1,500 million while Guangdong Welling Motor Manufacturing Co., Ltd. (a wholly-owned subsidiary of the Company) held 5% equity interest in it. The Group has no significant influence on the Finance Company.

The fair value of available-for-sale financial assets was determined by the directors. A gain arising from the fair value change amounting to HK\$8,900,000 (2014: HK\$7,071,000) was recognised in other comprehensive income for the year ended 31 December 2015. The directors assessed the fair value of the equity investment and are in the opinion that the fair value of the Finance Company approximately its net assets as at 31 December 2015 and 2014.

- (b) Current available-for-sale financial assets represent the wealth management products issued by banks with expected investment return rates ranging from 5.2% to 5.9% per annum in the PRC. The principals and returns are not guaranteed. A gain arising from the fair value change amounting to HK\$4,869,000 (2014: Nil) was recognised in other comprehensive income for the year ended 31 December 2015. The fair value of the wealth management products approximate to their costs plus expected investment return.

11. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables (a)	1,017,813	1,278,733
Less: allowance for impairment	<u>(54,218)</u>	<u>(48,111)</u>
Trade receivables – net	963,595	1,230,622
Amounts due from related parties (a)	1,301,080	764,470
Notes receivable (a)	<u>550,651</u>	<u>699,385</u>
	2,815,326	2,694,477
Prepayments	83,899	94,580
Other receivables	76,073	110,644
Recoverable value-added tax-net	<u>16,529</u>	<u>34,589</u>
	2,991,827	2,934,290
Less: non-current portion		
– Prepayments for property, plant and equipment	<u>(5,103)</u>	<u>(55,811)</u>
	<u><u>2,986,724</u></u>	<u><u>2,878,479</u></u>

As at 31 December 2015 and 2014, the fair values of trade and other receivables of the Group approximate their carrying amounts.

- (a) The majority of the Group's trade receivables are with credit period from 30 to 150 days. As at 31 December 2015 and 2014, the ageing analysis of the gross trade receivables, amounts due from related parties and notes receivable respectively are as follows:

Gross trade receivables:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 3 months	791,208	1,066,851
3 to 6 months	186,193	191,866
Over 6 months	<u>40,412</u>	<u>20,016</u>
	<u><u>1,017,813</u></u>	<u><u>1,278,733</u></u>

Amounts due from related parties:

	2015 HK\$'000	2014 <i>HK\$'000</i>
Within 3 months	725,445	723,650
3 to 6 months	463,069	39,739
Over 6 months	112,566	1,081
	<u>1,301,080</u>	<u>764,470</u>

Notes receivable:

	2015 HK\$'000	2014 <i>HK\$'000</i>
Within 3 months	196,269	320,271
3 to 6 months	354,382	379,114
	<u>550,651</u>	<u>699,385</u>

12. TRADE AND OTHER PAYABLES

	2015 HK\$'000	2014 <i>HK\$'000</i>
Trade payables (a)	1,077,052	1,560,513
Notes payable (a), (b)	1,400,265	1,490,024
Amounts due to related parties (a)	145,638	79,948
	<u>2,622,955</u>	<u>3,130,485</u>
Provision for staff welfare and bonus	126,975	134,399
Accruals	24,090	19,456
Advances from customers	8,212	15,149
Other payables	206,934	117,453
	<u>2,989,166</u>	<u>3,416,942</u>

- (a) The ageing analysis of the trade payables, notes payable and amounts due to related parties of the Group is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 3 months	1,661,358	2,595,808
3 to 6 months	951,928	528,561
Over 6 months	9,669	6,116
	<u>2,622,955</u>	<u>3,130,485</u>

- (b) The balance represents non-interest bearing bank acceptance notes issued by the Group with maturity periods of less than six months. As at 31 December 2015, certain notes payable were pledged by bank deposits of approximately HK\$76,960,000 (2014: HK\$79,928,000).

13. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Capital expenditure contracted for but not provided	<u>67,906</u>	<u>196,928</u>

(b) Operating lease commitments

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Not later than one year	6,468	11,254
Later than one year and not later than five years	<u>13,780</u>	<u>2,128</u>
	<u>20,248</u>	<u>13,382</u>

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “AGM”) will be held at Lotus Room, 6/F, Macro Polo Hongkong Hotel, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong on 31 May 2016 at 11:30 a.m.. The notice of the AGM will be published on the Company’s website at <http://www.welling.com.cn> and the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk>, and despatched to the shareholders of the Company in due course.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK6.5 cents per ordinary share for the year ended 31 December 2015 (2014: HK7.5 cents). Subject to the approval of the shareholders of the Company at the AGM, the proposed final dividend will be paid on or about 17 June 2016 to the shareholders whose names appear on the register of members of the Company on 7 June 2016.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the shareholders’ rights of attending and voting at the AGM, 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 AGM, 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.

For the purpose of determining the identity of shareholders who are entitled to the proposed final dividend, the register of members of the Company will be closed from 6 June 2016 to 7 June 2016, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the proposed final dividend, 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 3 June 2016.

BUSINESS REVIEW

Analysis of Major Business Operations

In 2015, with continuous global economic downturn, the pace of growth in different economies showed distinct differentiation. Except some developed economic regions such as America, Japan and European countries showed certain signs of economic recovery by adopting quantitative easing programs, most emerging markets with relatively weak economic base demonstrated less optimistic performance due to the impact of international capital outflows. The global economy was also impacted by the fluctuation of financial markets, especially the accumulative debt issues of various countries. Under the “new normal” economy, China accelerated its economic restructuring to cope with the pressure on economic downward, excess production capacity, ecological environment treatment and lower profitability of enterprises in 2015. According to the data published by the National Bureau of Statistics in January 2016, China’s gross domestic product in 2015 recorded a year-on-year increase of 6.9%, representing the lowest growth since 1990.

In 2015, affected by the sluggish market and unfavorable social and economic conditions and, especially the continued weakness of the real estate industry, the growth in the rigid demand for electrical household appliances was limited and the market of electrical household appliances in China became saturated, which indicated that the industry had stepped into a period of “freezing winter”. As a whole, most of the major electrical household appliance manufacturers recorded a decrease in performance. In addition, air-conditioners, refrigerators, washing machines and small electrical household appliances showed an overall downturn trend with significant drops and limited growth.

However, the electrical household appliance industry performed excitedly in 2015. A large number of internet enterprises flooded into the industry, which brought more opportunities than risks to the traditional market players. The emerging of new concepts such as smart kitchen, smart bathroom and smart bedroom continued to furnish the intelligent household industry. Meanwhile, cooperation between traditional electrical household appliance manufacturers and internet enterprises gradually brought more innovative electrical household appliances to the market.

1. Motor Business

In 2015, the new domestic demand for air-conditioners was insufficient, and the “price war” throughout the year failed to consume the pipeline stock effectively. Meanwhile, various unfavorable factors such as the escalation of product competition and the deceleration of growth in the air-conditioner e-commerce market also further hindered the development of the air-conditioner industry, which led to the biggest drop of sales in the market since the freezing year of 2009. The washing machine market maintained stable growth and the demand was mainly driven by product upgrading. In 2015, total domestic and export sales of household air-conditioners, central air-conditioners and washing machines decreased by 8.2%, 7.0% and 0.4% year-on-year respectively, while refrigerator compressors increased by 1.5% year-on-year. (Source: www.chinaIOL.com)

For the year ended 31 December 2015, the Group’s motor business recorded a domestic sales volume of approximately 102,007,000 units and an export sales volume of approximately 31,082,000 units, with the aggregate sales volume decreased by 6% as compared to the same period last year. Of which, domestic and export sales volumes of motors for air-conditioners were 69,513,000 units and 14,713,000 units respectively, with the aggregate sales volume decreased by 13% as compared to the same period last year; while the domestic and export sales volumes of motors for washing machines were 15,156,000 units and 13,867,000 units respectively, with the aggregate sales volume increased by 15% as compared to the same period last year. The Group’s turnover for 2015 amounted to approximately HK\$8,040,366,000 (including HK\$4,361,568,000 from motors for air-conditioners and HK\$2,551,770,000 from motors for washing machines), representing a decrease of 13% as compared to a turnover of approximately HK\$9,273,399,000 (including HK\$5,384,026,000 from motors for air-conditioners and HK\$2,681,642,000 from motors for washing machines) for 2014.

Faced with the sluggish downstream market of household appliances as well as the sales fluctuation and narrowing profit margins brought by the intensifying industrial competition, the Group actively expanded the market by striving for more orders. Meanwhile, the Group streamlined its organisational structure to enhance the operational management efficiency, continuously optimised the costs and expenses and improved the technology of its products, so as to enhance its competitive advantages.

1.1 Market Performance

1.1.1 Motors of Air-Conditioners

Due to the shrinking market demand of air-conditioners, the sales volume of motors for air-conditioners decreased by 13% as compared to the same period last year, while the sales revenue recorded a year-on-year decline of 19% as a result of the fall in commodity prices of raw materials and the keen competition in the industry. In particular, the sales volume of alternating current motors for household air-conditioners dropped by 12% as compared to the same period last year, nevertheless, the orders from Japanese high-end customers increased significantly due to the strengthened cooperation with them; the sales volume of brushless direct current motors for household air-conditioners decreased by 15% year-on-year, however, the structure of its customer profile had been further improved; the sales volume of commercial motors fell by 18% as compared to the same period last year, nonetheless, the Company had entered into cooperation with first tier international brands of electrical household appliance manufacturers in relation to the brushless direct current commercial motors; the sales volume of reactors reduced by 12% year-on-year, while significant progress towards new customers exploration has been achieved.

1.1.2 Motors of Washing Machines

With the growing popularity of drum and inverter washing machines in the domestic market, proportion of high-end washing machines had experienced an upward trend. Benefiting from the market expansion of wave-wheel motors, inverter motors for washing machines and motors for drying machines, the sales volume of washing machine motors delivered a year-on-year growth of 15%, while the sales revenue decreased by 5% year-on-year resulting from the reduction in product price and the change of product mix. In particular, the sales volume of series motors declined by 15% year-on-year, mainly due to the falling demand and the restructuring of products portfolio made by customers; whereas, the sales volume of wave-wheel motors increased by 27% year-on-year, which was attributable to the greater effort made to develop domestic customers and secure orders from major customers; in respect of the inverter motors for washing machines, the sales volume of the 3-phase variable frequency motors rose by 113% year-on-year, benefiting from the rising demand from domestic market and more orders obtained from overseas customers; the sales volume of direct current motors grew by 154% year-on-year due to the enhanced cooperation with existing customers and expansion of domestic new customers; furthermore, the supply of direct current brushless motors for drying machines had been commenced for the international leading electrical household appliance manufacturers.

1.1.3 Other Products

As for other products, we completed the development of direct current brushless air purifier motors and had commenced supply for domestic and Japanese major customers. On direct current brushless refrigerator motors, we had entered into cooperation with international leading electrical household appliance manufacturers and also commenced supply for them. In addition, the project team of servo motors had started operation independently and carried out relevant work as planned. At the end of 2015, the manufacturing of entire series of prototype tool had been completed, and the product performance was similar to Japanese products as proved by the performance tests taken.

1.2 Other Performance

In 2015, the Group kept on product-led operational transforming with further enhancement in internal operational management, technology research and development (“R&D”), manufacturing process, supply chain management and quality control. The Group gained high recognition from the industry for its newly-launched upgraded products. In particular, our new-generation alternating current motors for outdoor unit of split-type air-conditioners was honored with the “Accessory Award” in the professional category of the 2015 China Appliance Award at the Appliance & Electronics World Expo held in March. At the Washing Machine Industry Summit held in September, our brushless direct current motor for washing machine was awarded with “Energy-Saving Motor Award” for the washing machine industry. In 2015, our subsidiary, Guangdong Welling Motor Manufacturing Co., Ltd. successfully passed the assessment for the New R&D Institutions of Guangdong Province and the Technical Enterprise Institute of Foshan City, Guangdong Province, while another subsidiary, Foshan Welling Washer Motor Manufacturing Co., Ltd. successfully passed the assessment for the Engineering Research Centre for Washing Machine Motors of Guangdong Province.

2. Business of Associate

Shanxi Huaxiang Group Co., Ltd. (“Shanxi Huaxiang”, an associate owned as to 49% by the Group) continued to work on its organisational reform and restructure its product portfolio through transformation and upgrade. Despite the depressing macroeconomic environment, the business of Shanxi Huaxiang achieved a growth as a whole resulting from the increased sales of logistics forklift products driven by e-commerce expansion, the increased sales of structural parts and machined processing parts brought by the industry chain extension, the increased sales of nodular iron castings supported by the emerging markets and the increased sales percentage of high-value products such as vehicle parts and electrical pipe valve parts through the strategic transformation.

For the year ended 31 December 2015, Shanxi Huaxiang recorded a turnover of approximately HK\$1,480,331,000 (2014: approximately HK\$1,532,972,000), representing a year-on-year decrease of 3%. The Group’s share of profit in Shanxi Huaxiang was approximately HK\$51,396,000 (2014: approximately HK\$41,253,000), representing a year-on-year growth of 25%. The increase in profits were mainly driven by the higher production yield rate resulted from process and technology improvement, higher overall gross margin brought by the adjustment of product mix and marginal effect of economy-of-scale.

Looking back on 2015, the Group adhered to its established strategy of “placing customers at our core and making quality products” and focused on the essential elements of its operations. The Group continued its efforts in improving and upgrading technology R&D, product design, manufacturing process and quality control, and promoting lean management by continuous optimisation and integration of resources, so as to offer better products and services to its customers. Meanwhile, the Group has been actively seeking partners with an open mind to pursue innovation and development. With all of these efforts, we managed to sustain normal and sound operations despite the challenging condition.

Business Prospects

Heading into 2016, the global economic outlook remains clouded. Economic recovery is expected to remain uneven for a long time. The growth of the global economy is quite uncertain due to the factors such as the decline of international commodity prices and the rise in Federal Reserve's interest rate. The economy in the United States is expected to be on a sustaining recovery path with decent growth in job markets and property markets. Eurozone economy shows a trend of slow growth as a whole under significant deflation pressure. Japan's economic growth is projected to fluctuate due to the depressing private consumption and export activities. The deteriorating internal and external financial environment, drop in commodity prices and internal structural issues could create uncertainty to the growth prospects of emerging economies. In 2016, the first year of China's 13th Five-year Plan, the government will moderately expand overall demand and work more on the supply-side structural reforms with concrete measures including eliminating excess industrial capacity, cutting business costs, reducing inventory levels and defusing financial risks so as to improve the overall social productivity. In the 2016 Economic Blue Book released on 16 December 2015, the Chinese Academy of Social Sciences expected China's economy to grow by 6.6% to 6.8% in 2016. The market demand for the electrical household appliance industry is expected to slow down significantly, which would urge the manufacturers to focus on product upgrade and innovation and business model transformation. It is expected that overcapacity will remain in the motor segment in 2016, which would further drive prices and profits down and lead to more intense competition. The Group will continue to work on operational transformation, integrate our resources and improve our management standard to offer high-quality motors so as to consolidate our leading position in the industry.

We will continue to focus on our customers' demand, promote product innovation, upgrade product structure, integrate our R&D, production and marketing resources, speed up response to customer needs to achieve efficient sales services, enhance competitive advantage and consolidate larger market share.

1. Motor Business

1.1 Motors for Air-Conditioners

The downturn of air-conditioning industry is inevitable as the risks of high level of inventory and "price war" still exist. The shifting towards inverter-driven, multi-connected household air-conditioners remains the major trend of the industry. The Group will continue to strengthen and upgrade product development, especially on the alternating current motors of resin packages for indoor and outdoor household air-conditioners, the alternating current fan coil motors of resin packages for commercial air-conditioners, and the commercial direct current motors used in North America. At the same time, we will focus on expanding the market of motors for air-conditioners in South Asia, keep on developing new customers in North America to commence supply of commercial direct current motors, as well as contacting and developing new domestic customers of direct current motors for air-conditioners. Besides, we will launch brushless direct current motors for indoor household air-conditioners based on M0 position-sensorless control, tailored to the specific requirements of customers, to meet the higher requirement on reducing machine noise.

1.2 Motors for Washing Machines

The washing machine industry continues a minimal growth trend. With the increasing demand for inverter washing machine, the proportion of inverter washing machine will further increase and the competition on obtaining orders for inverter motors will also become more intense. The Group will accelerate the R&D on the product upgrade of inverter washing machine motor and the launch of upgraded products, actively competing on obtaining orders from domestic customers while seeking customers for direct current motors in Europe and the United States. We will put effort in the promotion of new generation series motors to replace the original products, so as to consolidate our leading position in the industry. We will launch a more competitive upgraded product of wave-wheel motors while developing wave-wheel motors of resin packages for Japanese customers. Meanwhile, we will strive for cooperation opportunities with new dryer motors customers in Europe and the United States.

1.3 Other Products

In respect of the compressor motors, we will focus on developing in overseas markets, especially in the regions of South Asia, Middle East, America and Japan. The alternating current pump for dish-washing machines is expected to achieve a breakthrough in American market and the direct current brushless pump will commence supply in the European market. Meanwhile, we will accelerate the development of integrated heat pump. The development of water purifier booster pumps for 600 to 800 gallons will be completed in 2016 and official products will also be launched. We plan to expedite the industrialisation progress of servo motors and intensify the market exploitation, in order to commence supply of servo motors in the first half of 2016. We will continue to seek and promote industry cooperation actively in an open-minded attitude.

2. Business of Associate

Adhering to the core belief of “creating value for customers”, Shanxi Huaxiang will optimise its talent team through further deepening the reform of enterprise and continuous reengineering of organisation, mechanism and culture. It will also leverage on its advantage of technology and quality to continuously strengthen its core market competitiveness.

In face of economic downturn, Shanxi Huaxiang will adhere to its business strategy focusing on three major aspects “products, quality and customers”. Through running on a customer service oriented approach, solidifying the basic management, building a comprehensive and efficient production and marketing system, steadily enhancing existing market scale and actively expanding new strategic product markets, so as to generate a strong and continuous performance growth momentum in the future.

CORPORATE BUSINESS STRATEGIES

Amid the complex macroeconomic environment and depressive industrial market condition, it is challenging for the Group to figure out ways to maintain sustainable development. Due to aforementioned circumstances, the Group is devoted to striving for excellence, encouraging continuous learning and innovation while promoting merits of seriousness, responsibility, carefulness and diligence, aiming to develop an elite management team. In respect of marketing, the Group focuses on improving its market layouts, fundamental management and system construction, while enhancing the matching with manufacturing and sales as well as its supply capacity in peak seasons, with a view to offer better and differential services to customers. In respect of R&D, the Group is committed to building a customer-oriented R&D system through efforts in keeping product R&D in line with market needs. Meanwhile, the Group emphasises innovation in developing and upgrading its own products, which helps its products to gain differential advantages. In respect of production, the Group continues to enhance its lean management policy by encouraging refined manufacture and craftsmanship as well as optimising our manufacturing layouts so as to take advantages of integration of manufacturing resources. Besides, we strive to achieve product quality and manufacturing efficiency improvement as well as cost reduction by enhancing communication among production lines and the implementation of quality automated testing in manufacturing process. Further, the Group also emphasises on increasing the value of its supply chain and strengthening the synergy effect in respect of resources allocation, with a view to establish long term competitive win-win relationship with its suppliers. In order to achieve better quality performance in the market, the Group will further strengthen its quality consciousness and implement more stringent quality control, including but not limited to link up with the appointment or dismissal of personnel to the quality control mechanism. The Group will work on its lean management in respect of, in particular, cost and inventory control, in order to improve operation efficiency and ensure a long term healthy development.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group's turnover for the year ended 31 December 2015 amounted to approximately HK\$8,040,366,000 (2014: approximately HK\$9,273,399,000). The audited profit attributable to the owners of the Company and earnings per share amounted to approximately HK\$525,030,000 (2014: approximately HK\$678,372,000) and HK18.34 cents (2014: HK23.76 cents) respectively, representing a decrease of 22.6% in profit as compared to the same period last year. The Group's gross profit margin for 2015 was approximately 13.8% (2014: approximately 15.4%). Due to the depressed market condition and intensifying industrial competition, as well as the continuous fall in commodity prices of raw materials, the Group recorded a year-on-year decrease in turnover and gross profit margin. During the Year, the Group streamlined its organisational structure to enhance the operational management efficiency, which lead to a significant increase in redundancy payments of approximately HK\$38,366,000 (2014: approximately HK\$10,318,000). On the other hand, the Group continued to make further investment in technology R&D as well as improvement of manufacturing process. The R&D costs of the Year amounted to HK\$108,823,000 (2014: approximately HK\$82,904,000).

Financial Review

Liquidity and Financial Resources

The Group has maintained a healthy financial and liquidity position with a current ratio of 185% as at 31 December 2015 (2014: 166%).

As at 31 December 2015, the Group was in a net cash position of HK\$1,292,519,000 (2014: HK\$1,931,761,000), representing cash and cash equivalents and pledged bank deposits of approximately HK\$1,313,169,000 less total bank borrowings of approximately HK\$20,650,000, which would be due within one year.

The Group has subscribed for wealth management products of approximately HK\$720,857,000 as at 31 December 2015 (2014: Nil), which offered better returns compared to the fixed-term deposit interest rates provided by commercial banks in the PRC.

Financial Ratios

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

	2015	2014
Inventories turnover (<i>Note 1</i>)	41 days	43 days
Trade receivables turnover (<i>Note 2</i>)	70 days	65 days
Trade payables turnover (<i>Note 3</i>)	72 days	72 days
Current ratio (<i>Note 4</i>)	1.85 times	1.66 times

Notes:

1. Inventories turnover is calculated based on the average of the opening inventories and closing inventories divided by the cost of goods sold of the year, and multiplied by the total number of days of the year.
2. Trade receivables turnover is calculated based on the average of the opening and closing of trade receivables of third parties and related parties, divided by the revenue of the year, and multiplied by the total number of days of the year.
3. Trade payables turnover is calculated based on the average of the opening and closing of trade payables of third parties and related parties, divided by the cost of goods sold of the year, and multiplied by the total number of days of the year.
4. Current ratio is calculated based on the year-end current assets divided by the year-end current liabilities.

Pledge of Assets

No leasehold land and land use rights and property, plant and equipment have been pledged as security for the Group's banking facilities as at 31 December 2015 and 2014.

Contingent Liabilities

Save as the financial guarantees as disclosed below, as at 31 December 2015 and 2014, the Group did not have any material contingent liabilities.

Financial Guarantees

As at 31 December 2015, the Group has given guarantee to banks in respect of the banking facilities granted to an associate of the Group of approximately HK\$656,497,000 (2014: approximately HK\$986,183,000), of which approximately HK\$179,045,000 (2014: approximately HK\$423,374,000) have been drawn down.

Capital Expenditure

For the year ended 31 December 2015, the capital expenditure of the Group was approximately HK\$266,140,000 (2014: approximately HK\$243,811,000) related to the purchase of property, plant and equipment.

Derivative Financial Instruments

As at 31 December 2015, the Group's outstanding derivative financial instrument assets and liabilities under various copper and aluminium future contracts and foreign exchange forward contracts amounted to approximately HK\$9,249,000 and HK\$7,751,000 respectively (2014: derivative financial instrument assets and liabilities of approximately HK\$25,975,000 and HK\$16,601,000 respectively).

Exposure to Exchange Rate Fluctuations

During the Year, approximately 30% of the Group's turnover was derived from export trading settled in Euro and US dollars. In the meantime, the Group has also imported raw materials and equipment from the suppliers which were paid in Euro and US dollars for settlement. As a result, foreign exchange risks associated with these currencies were partially offset. On the other hand, the Group has made arrangements to purchase foreign exchange forward contracts to hedge against foreign exchange exposure arising from export trading. The Group has stringent control over the risk of exchange rate fluctuation, and will review from time to time the sufficiency and appropriateness of the financial instruments which were currently used to hedge significant foreign currency risks.

Capital Commitments

As at 31 December 2015, the Group has contracted capital commitments in respect of the purchase of property, plant and equipment amounting to approximately HK\$67,906,000 (2014: approximately HK\$196,928,000).

Human Resources

As at 31 December 2015, the Group employed approximately 8,958 full time employees in Hong Kong and the PRC. While the Group was supported by a team of young and competent staff, it does not ignore the importance of the development, management and future planning of its human resources. With the use of open recruitment, job rotation, internal promotion and professional training for the recruitment, deployment and nurture of employees, it is intended to ensure the selection and deployment of employees to be carried out in an open, fair and equitable manner. Besides, it could also provide staff with a platform for their promotion and development. Through the implementation of comprehensive human resources management, it is aimed at achieving the objectives of enhancing employees contributions to the Group and shaping the Group's strategic advantages in human resources.

The Group has granted share options to employees as an incentive to motivate its employees by linking their interests to the future development and expansion of the Group. The Group currently provides employees with competitive remuneration packages (comprising salary, bonus and benefits in kind), adequate insurance cover (including pension, medical insurance, unemployment compensation insurance, work injury compensation insurance and maternity insurance) and housing provident fund. In addition, the Group also provides its employees with other benefits including on-the-job academic education, meal subsidy, housing subsidy, cooperative medical scheme services, support fund and recreational activities, etc.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Year.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as the code of conduct of the Company for Directors’ securities transactions. Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the Model Code throughout the Year.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Save as disclosed below, the Company had complied with all the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the Year.

The Company had deviated from code provision A.2.1 of the CG Code in that Mr. Zhou Xiangyang was both the Chairman and Chief Executive Officer of the Company. Following the resignation of Mr. Zhou Xiangyang on 9 July 2015, the Board had reviewed the Board composition and decided to segregate the roles of Chairman and Chief Executive Officer to ensure a balance of power and authority between the Board and the management of the Company. In this connection, Mr. Xiang Weimin was appointed as the Chairman of the Board and Mr. Zhong Lin, currently an Executive Director, was also re-designated as the Chief Executive Officer since 9 July 2015.

In respect of code provision A.6.7 of the CG Code, one Executive Director and two Independent Non-executive Directors were unable to attend the annual general meeting of the Company held on 29 May 2015 due to other important business engagement.

REVIEW OF THE FINAL RESULTS BY AUDIT COMMITTEE

The Audit Committee comprising all the Independent Non-executive Directors, Mr. Tan Jinsong (Chairman), Mr. Lam Ming Yung and Ms. Cao Zhoutao, was established to be responsible for reviewing the financial information of the Group and overseeing the financial reporting system and risk management and internal control procedures to ensure the integrity of the financial statements of the Group and the effectiveness of risk management and internal control systems of the Group. The Audit Committee has reviewed the Group’s consolidated financial statements for the year ended 31 December 2015 and agreed to the accounting policies and practices adopted by the Group.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the results announcement.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website at <http://www.welling.com.cn> and the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk>. The 2015 Annual Report will be despatched to the shareholders of the Company and available on the aforesaid websites in due course.

On behalf of the Board
Welling Holding Limited
Xiang Weimin
Chairman

Hong Kong, 14 March 2016

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

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