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GOLIK HOLDINGS LIMITED

高力集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1118)

AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2019

Reference is made to the announcement of Golik Holdings Limited (the “Company”) dated 31st March, 2020 in relation to the unaudited annual results for the year ended 31st December, 2019 (the “2019 Results Announcement”). Unless otherwise defined, terms defined in the 2019 Results Announcement shall have the same meanings in this announcement.

AUDITED ANNUAL RESULTS

The Board of the Company is pleased to announce that the Company’s auditor, Messrs. Deloitte Touche Tohmatsu, has completed its audit of the consolidated financial statements of the Group for the year ended 31st December, 2019 in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The audited consolidated results of the Group for the year ended 31st December, 2019 together with the comparative figures for the year ended 31st December, 2018 as follows:

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | Year ended 31st December, | |
|---|-------|---------------------------|------------------|
| | | 2019 HK\$'000 | 2018 HK\$'000 |
| Revenue | 3 | 2,803,735 | 3,087,200 |
| Cost of sales | | (2,425,739) | (2,842,229) |
| Gross profit | | 377,996 | 244,971 |
| Other income | | 23,271 | 13,630 |
| Interest income | | 2,526 | 1,819 |
| Selling and distribution costs | | (115,121) | (100,099) |
| Administrative expenses | | (171,011) | (175,877) |
| (Impairment losses) reversal of impairment losses under expected credit loss (“ECL”) model, net | | (17,190) | 3,149 |
| Other gains and losses | 4 | 342 | (6,484) |
| Other expenses | | (44,130) | (32,610) |
| Finance costs | | (42,204) | (26,664) |
| – Interest on bank borrowings | | (28,810) | (26,634) |
| – Interest on lease liabilities/finance leases | | (13,394) | (30) |
| Share of result of a joint venture | | (114) | (84) |
| Share of result of an associate | | 31 | 54 |
| Profit (loss) before taxation | | 14,396 | (78,195) |
| Income taxes | 5 | (5,945) | (1,826) |
| Profit (loss) for the year | 6 | 8,451 | (80,021) |

* For identification purposes only

| | | Year ended 31st December, | |
|--|-------------|----------------------------------|-----------------|
| | | 2019 | 2018 |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| Other comprehensive (expense) income | | | |
| Items that may be subsequently reclassified to profit or loss: | | | |
| – Exchange difference arising on translation of foreign operations | | (10,069) | (21,481) |
| – Fair value gain on a debt instrument at fair value through other comprehensive income (“FVTOCI”) | | – | 20 |
| – Reclassification to profit or loss upon redemption of a debt instrument at FVTOCI | | – | 19 |
| Item that will not be reclassified to profit or loss: | | | |
| – Fair value gain (loss) on an equity instrument at FVTOCI | | 1,029 | (881) |
| Other comprehensive expense for the year | | (9,040) | (22,323) |
| Total comprehensive expense for the year | | (589) | (102,344) |
| Profit (loss) for the year attributable to: | | | |
| Shareholders of the Company | | (6,233) | (84,782) |
| Non-controlling interests | | 14,684 | 4,761 |
| | | 8,451 | (80,021) |
| Total comprehensive (expense) income for the year attributable to: | | | |
| Shareholders of the Company | | (13,598) | (103,744) |
| Non-controlling interests | | 13,009 | 1,400 |
| | | (589) | (102,344) |
| Basic loss per share | 8 | HK1.10 cents | HK15.09 cents |

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | <i>Notes</i> | As at 31st December, 2019 HK\$'000 | As at 31st December, 2018 HK\$'000 |
|--|--------------|---|---|
| Non-current Assets | | | |
| Investment properties | | 4,020 | 4,130 |
| Property, plant and equipment | | 471,319 | 500,771 |
| Prepaid lease payments | | – | 12,643 |
| Right-of-use assets | | 273,168 | – |
| Interest in a joint venture | | 3,881 | 3,995 |
| Amount due from a joint venture | | – | 1,153 |
| Interest in an associate | | – | – |
| Amount due from an associate | | 31 | 9,622 |
| Equity instrument at FVTOCI | | 4,321 | 3,292 |
| Insurance policy assets | | 12,790 | 12,295 |
| Rental and other deposits | 9 | 5,640 | 10,174 |
| Deposits paid for acquisition of property, plant and equipment | | 11,143 | 1,330 |
| Loan receivables | 9 | 3,151 | 3,936 |
| Bank time deposits | | – | 2,282 |
| | | 789,464 | 565,623 |
| Current Assets | | | |
| Inventories | | 579,178 | 617,773 |
| Trade, bills, loan and other receivables | 9 | 644,361 | 654,416 |
| Prepaid lease payments | | – | 451 |
| Income tax recoverable | | 5,191 | 5,000 |
| Bank time deposits with original maturity over three months | | 2,232 | – |
| Bank balances and cash | | 304,672 | 363,567 |
| | | 1,535,634 | 1,641,207 |
| Assets classified as held for sale | | 33,899 | – |
| | | 1,569,533 | 1,641,207 |
| Current Liabilities | | | |
| Trade and other payables | 10 | 297,506 | 159,806 |
| Contract liabilities | | 7,380 | 7,037 |
| Lease liabilities | | 49,207 | – |
| Amounts due to non-controlling shareholders | | 3,200 | 3,200 |
| Income tax payable | | 4,674 | 4,495 |
| Bank borrowings | | 791,461 | 1,023,671 |
| Obligations under finance leases | | – | 367 |
| | | 1,153,428 | 1,198,576 |
| Net Current Assets | | 416,105 | 442,631 |
| | | 1,205,569 | 1,008,254 |

| | As at 31st December, 2019 HK\$'000 | As at 31st December, 2018 HK\$'000 |
|--|---|---|
| Capital and Reserves | | |
| Share capital | 57,438 | 56,192 |
| Share premium and reserves | <u>850,997</u> | <u>878,726</u> |
| Equity attributable to shareholders of the Company | 908,435 | 934,918 |
| Non-controlling interests | <u>61,152</u> | <u>50,831</u> |
| Total Equity | <u>969,587</u> | <u>985,749</u> |
| Non-current Liabilities | | |
| Deferred tax liabilities | 17,280 | 22,445 |
| Lease liabilities | 218,702 | – |
| Obligations under finance leases | <u>–</u> | <u>60</u> |
| | <u>235,982</u> | <u>22,505</u> |
| | <u>1,205,569</u> | <u>1,008,254</u> |

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year.

| | |
|-----------------------|--|
| HKFRS 16 | Leases |
| HK(IFRIC) – Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015 – 2017 Cycle |

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st January, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st January, 2019.

As at 1st January, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities ranges from 3.60% to 5.39%.

| | At 1st January, 2019 |
|---|----------------------------|
| <i>Notes</i> | <i>HK\$'000</i> |
| Operating lease commitments disclosed as at 31st December, 2018 | 413,569 |
| Adjustments for: | |
| Lease liabilities resulting from lease modifications of existing leases | # 21,093 |
| Recognition exemption – short-term leases | (734) |
| Total future finance costs | (125,552) |
| Lease liabilities relating to operating leases recognised upon application of HKFRS 16 | 308,376 |
| Add: Obligations under finance leases recognised at 31st December, 2018 | (b) 427 |
| Lease liabilities as at 1st January, 2019 | <u>308,803</u> |
| Analysed as: | |
| Current | 53,430 |
| Non-current | 255,373 |
| | <u>308,803</u> |

- # The Group renewed the leases of several existing land and buildings by entering into new lease contracts which commence after date of initial application. These new contracts are accounted as lease modifications of the existing contracts upon application of HKFRS 16.

The carrying amount of right-of-use assets as at 1st January, 2019 comprises the following:

| | <i>Notes</i> | Right-of-use assets <i>HK\$'000</i> |
|--|--------------|---|
| Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 | | 308,376 |
| Adjustments on rental deposits at 1st January, 2019 | (a) | 868 |
| Amounts included in property, plant and equipment under HKAS 17 | | |
| – Assets previously under finance leases | (b) | 416 |
| Reclassified from prepaid lease payments | (c) | 13,094 |
| | | <u>322,754</u> |
| By class: | | |
| Leasehold land | | 13,094 |
| Land and buildings | | 230,898 |
| Plant and machinery and equipment | | 78,346 |
| Motor vehicles | | 416 |
| | | <u>322,754</u> |

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for those leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1st January, 2019. The application has had no impact on the Group's consolidated statement of financial position at 1st January, 2019. However, effective from 1st January, 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1st January, 2019. Line items that were not affected by the changes have not been included.

| | <i>Notes</i> | Carrying amounts previously reported at 31.12.2018 <i>HK\$'000</i> | Adjustments <i>HK\$'000</i> | Carrying amounts under HKFRS 16 at 1.1.2019 <i>HK\$'000</i> |
|----------------------------------|--------------|---|--------------------------------|--|
| Non-current Assets | | | | |
| Property, plant and equipment | (b) | 500,771 | (416) | 500,355 |
| Prepaid lease payments | (c) | 12,643 | (12,643) | – |
| Right-of-use assets | | – | 322,754 | 322,754 |
| Rental and other deposits | (a) | 10,174 | (868) | 9,306 |
| Current Assets | | | | |
| Prepaid lease payments | (c) | 451 | (451) | – |
| Current Liabilities | | | | |
| Lease liabilities | | – | 53,430 | 53,430 |
| Obligations under finance leases | (b) | 367 | (367) | – |
| Non-current Liabilities | | | | |
| Lease liabilities | | – | 255,373 | 255,373 |
| Obligations under finance leases | (b) | 60 | (60) | – |

Notes:

- (a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$868,000 was adjusted to refundable rental deposits paid and right-of-use assets.
- (b) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1st January, 2019 amounting to HK\$416,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK\$367,000 and HK\$60,000 to lease liabilities as current and non-current liabilities respectively at 1st January, 2019.
- (c) Upfront payments for leasehold land in Mainland China were classified as prepaid lease payments as at 31st December, 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK\$451,000 and HK\$12,643,000 respectively were reclassified to right-of-use assets.

The initial application of HKFRS 16 has no significant impact to the carrying amounts of interests in a joint venture and an associate.

Except for the above, the application of HKFRS 16 has no other significant impact to the consolidated financial statements.

2.2 Impacts and changes in accounting policies of application of Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that the Group applies HKFRS 9 *Financial Instruments* (“HKFRS 9”), including the impairment requirements to long-term interests in an associate or a joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, the Group does not take into account any adjustments to their carrying amount required by HKAS 28 *Investments in Associates and Joint Ventures* (“HKAS 28”) (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

The Group has applied Amendments to HKAS 28 retrospectively with the cumulative effect recognised at the date of initial application, 1st January, 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

As at 31st December 2018, amount due from an associate of HK\$9,622,000 was considered as a long-term interest that, in substance form part of the Group’s net investment in the relevant associate. The adoption of Amendments to HKAS 28 resulted in additional impairment losses under ECL model of HK\$9,622,000 recognised against retained profits.

The following adjustment was made to the amount recognised in the consolidated statement of financial position at 1st January, 2019. Line items that were not affected by the changes have not been included.

| | Carrying amounts previously reported at 31.12.2018 <i>HK\$'000</i> | Adjustments <i>HK\$'000</i> | Carrying amounts under Amendments to HKAS 28 at 1.1.2019 <i>HK\$'000</i> |
|------------------------------|---|--------------------------------|--|
| Non-current Assets | | | |
| Amount due from an associate | 9,622 | (9,622) | – |
| Total Equity | | | |
| Retained profits | 537,607 | (9,622) | 527,985 |

Except for the above, the application of Amendments to HKAS 28 has no other significant impact to the consolidated financial statements.

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31st December, 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1st January, 2019 as disclosed above.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the Chairman and Vice Chairman of the Group, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods sold.

Specifically, the Group's operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

1. Metal products
2. Building construction materials

In addition, the Group's operations relating to printing materials is presented as other operation.

Disaggregation of revenue from contracts with customers

For the year ended 31st December, 2019

| Segments | Metal products <i>HK\$'000</i> | Building construction materials <i>HK\$'000</i> | Other operation <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|-----------------------------------|--|------------------------------------|--------------------------|
| Types of goods | | | | |
| Steel coil processing, steel wires and wire rope products | 1,227,554 | – | – | 1,227,554 |
| Concrete products | – | 276,412 | – | 276,412 |
| Construction steel products and processing, and other construction products | – | 1,282,859 | – | 1,282,859 |
| Printing materials | – | – | 16,910 | 16,910 |
| Total | 1,227,554 | 1,559,271 | 16,910 | 2,803,735 |

For the year ended 31st December, 2018

| Segments | Metal products <i>HK\$'000</i> | Building construction materials <i>HK\$'000</i> | Other operation <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|-----------------------------------|--|------------------------------------|--------------------------|
| Types of goods | | | | |
| Steel coil processing, steel wires and wire rope products | 1,181,167 | – | – | 1,181,167 |
| Concrete products | – | 275,008 | – | 275,008 |
| Construction steel products and processing, and other construction products | – | 1,597,783 | – | 1,597,783 |
| Printing materials | – | – | 33,242 | 33,242 |
| Total | <u>1,181,167</u> | <u>1,872,791</u> | <u>33,242</u> | <u>3,087,200</u> |

The Group sells metal products and building construction materials directly to corporate customers. Revenue is recognised when control of the goods has been transferred, being at the point in time when the goods are delivered to the customer's specific location.

Other than the cash sales, the Group allows credit periods ranging from 30 to 120 days to its customers. As at 31st December, 2019 and 2018, the Group had no unsatisfied or partially unsatisfied performance obligations.

Under the Group's standard contract terms, customers have a right to exchange for products. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet been recognised.

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the year ended 31st December, 2019

| | Metal products <i>HK\$'000</i> | Building construction materials <i>HK\$'000</i> | Reportable segment total <i>HK\$'000</i> | Other operation <i>HK\$'000</i> | Eliminations <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|--|-----------------------------------|--|---|------------------------------------|---------------------------------|---------------------------------|
| REVENUE | | | | | | |
| External sales | 1,227,554 | 1,559,271 | 2,786,825 | 16,910 | – | 2,803,735 |
| Inter-segment sales | 6,051 | 2,247 | 8,298 | – | (8,298) | – |
| Total | <u>1,233,605</u> | <u>1,561,518</u> | <u>2,795,123</u> | <u>16,910</u> | <u>(8,298)</u> | <u>2,803,735</u> |
| SEGMENT RESULT | | | | | | |
| | <u>91,942</u> | <u>2,106</u> | <u>94,048</u> | <u>(23,348)</u> | <u>31</u> | 70,731 |
| Unallocated other income | | | | | | 1,893 |
| Unallocated corporate expenses | | | | | | (15,831) |
| Fair value loss on investment properties | | | | | | (110) |
| Finance costs | | | | | | (42,204) |
| – Interest on bank borrowings | | | | | | (28,810) |
| – Interest on lease liabilities | | | | | | (13,394) |
| Share of result of a joint venture | | | | | | (114) |
| Share of result of an associate | | | | | | 31 |
| Profit before taxation | | | | | | <u>14,396</u> |

For the year ended 31st December, 2018

| | Metal products HK\$'000 | Building construction materials HK\$'000 | Reportable segment total HK\$'000 | Other operation HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
|---|-------------------------------|---|--|--------------------------------|--------------------------|--------------------------|
| REVENUE | | | | | | |
| External sales | 1,181,167 | 1,872,791 | 3,053,958 | 33,242 | – | 3,087,200 |
| Inter-segment sales | 5,202 | 7 | 5,209 | – | (5,209) | – |
| Total | <u>1,186,369</u> | <u>1,872,798</u> | <u>3,059,167</u> | <u>33,242</u> | <u>(5,209)</u> | <u>3,087,200</u> |
| SEGMENT RESULT | <u>48,321</u> | <u>(75,470)</u> | <u>(27,149)</u> | <u>(6,795)</u> | <u>117</u> | <u>(33,827)</u> |
| Unallocated other income | | | | | | 1,833 |
| Unallocated corporate expenses | | | | | | (19,657) |
| Fair value gain on investment properties | | | | | | 150 |
| Finance costs | | | | | | (26,664) |
| – Interest on bank borrowings | | | | | | (26,634) |
| – Interest on finance leases | | | | | | (30) |
| Share of result of a joint venture | | | | | | (84) |
| Share of result of an associate | | | | | | 54 |
| Loss before taxation | | | | | | <u>(78,195)</u> |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the gross profit or loss generated/suffered from each segment, net of selling and distribution costs and administrative expenses directly attributable to each segment without allocation of certain other income, corporate expenses, fair value (loss) gain on investment properties, finance costs and share of results of a joint venture and an associate. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at cost or cost plus a percentage of mark-up.

Other segment information

The following other segment information is included in the measure of segment result:

For the year ended 31st December, 2019

| | Metal products HK\$'000 | Building construction materials HK\$'000 | Reportable segment total HK\$'000 | Other operation HK\$'000 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|---|-------------------------------|---|--|--------------------------------|-------------------------|--------------------------|
| Depreciation of property, plant and equipment | 19,386 | 15,849 | 35,235 | 14 | 1,310 | 36,559 |
| Depreciation of right-of-use assets | 13,399 | 42,441 | 55,840 | – | 7,189 | 63,029 |
| (Reversal of) impairment losses under ECL model, net | (654) | (2,119) | (2,773) | 19,894 | 69 | 17,190 |
| Net change of provision of inventories | (3,402) | (23,390) | (26,792) | (800) | – | (27,592) |
| (Gain) loss on disposal of property, plant and equipment | (576) | 3 | (573) | (32) | – | (605) |
| Addition of property, plant and equipment | 24,661 | 1,263 | 25,924 | – | 281 | 26,205 |
| Addition of right-of-use assets | <u>1,163</u> | <u>18,379</u> | <u>19,542</u> | <u>–</u> | <u>14</u> | <u>19,556</u> |

For the year ended 31st December, 2018

| | Metal products <i>HK\$'000</i> | Building construction materials <i>HK\$'000</i> | Reportable segment total <i>HK\$'000</i> | Other operation <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|--------------------------------------|--|---|---------------------------------------|--------------------------------|---------------------------------|
| Depreciation of property, plant and equipment | 23,057 | 14,082 | 37,139 | 26 | 807 | 37,972 |
| Amortisation of prepaid lease payments | 426 | 34 | 460 | – | – | 460 |
| (Reversal of) impairment losses under ECL model, net | (246) | (4,068) | (4,314) | 1,072 | 93 | (3,149) |
| Net change of provision of inventories | 274 | 1,410 | 1,684 | – | – | 1,684 |
| Loss on disposal of property, plant and equipment | 113 | 598 | 711 | – | – | 711 |
| Addition of property, plant and equipment | 29,649 | 15,167 | 44,816 | 7 | 2 | 44,825 |

Geographical information

The Group operates in two principal geographical areas, namely Hong Kong and Mainland China.

The Group's revenue from external customers by geographical location of the customers and information about its non-current assets other than financial instruments by geographical location of the assets are detailed below:

For the year ended 31st December, 2019

| | Revenue from external customers | | | | Non-current assets <i>HK\$'000</i> |
|----------------|--------------------------------------|--|---------------------------------------|--------------------------|--|
| | Metal products <i>HK\$'000</i> | Building construction materials <i>HK\$'000</i> | Other operation <i>HK\$'000</i> | Total <i>HK\$'000</i> | |
| Hong Kong | 8,219 | 1,488,978 | 6,024 | 1,503,221 | 371,723 |
| Mainland China | 1,171,181 | 17,780 | 10,442 | 1,199,403 | 405,227 |
| Macau | 19 | 45,595 | 233 | 45,847 | – |
| Others | 48,135 | 6,918 | 211 | 55,264 | – |
| | <u>1,227,554</u> | <u>1,559,271</u> | <u>16,910</u> | <u>2,803,735</u> | <u>776,950</u> |

Note: Non-current assets excluded amount due from an associate, equity instrument at FVTOCI, rental deposits and loan receivables.

For the year ended 31st December, 2018

| | Revenue from external customers | | | Total HK\$'000 | Non-current assets HK\$'000 |
|----------------|---------------------------------|---|--------------------------------|-------------------|-----------------------------------|
| | Metal products HK\$'000 | Building construction materials HK\$'000 | Other operation HK\$'000 | | |
| Hong Kong | 13,707 | 1,805,239 | 9,982 | 1,828,928 | 314,497 |
| Mainland China | 1,113,188 | 20,605 | 21,922 | 1,155,715 | 230,841 |
| Macau | – | 45,874 | 882 | 46,756 | – |
| Others | 54,272 | 1,073 | 456 | 55,801 | – |
| | <u>1,181,167</u> | <u>1,872,791</u> | <u>33,242</u> | <u>3,087,200</u> | <u>545,338</u> |

Note: Non-current assets excluded amounts due from a joint venture and an associate, equity instrument at FVTOCI, loan receivables and bank time deposits.

No customer has contributed over 10% of the total revenue of the Group for both years.

No segment assets and liabilities are presented as the information is not reportable to the chief operating decision makers in the resource allocation and assessment of performance.

4. OTHER GAINS AND LOSSES

| | 2019 HK\$'000 | 2018 HK\$'000 |
|--|------------------|------------------|
| Fair value loss (gain) on investment properties | 110 | (150) |
| (Gain) loss on disposal of property, plant and equipment | (605) | 711 |
| Net exchange loss | 153 | 5,904 |
| Loss on redemption of a debt instrument at FVTOCI | – | 19 |
| | <u>(342)</u> | <u>6,484</u> |

5. INCOME TAXES

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| The charge comprises: | | |
| Current year | | |
| Hong Kong Profits Tax | 1,208 | 1,010 |
| Mainland China Enterprise Income Tax | 12,267 | 8,170 |
| Withholding tax paid for distributed profits in the Mainland China | 1,922 | 539 |
| | <u>15,397</u> | <u>9,719</u> |
| Overprovision in prior years | | |
| Hong Kong Profits Tax | (53) | (443) |
| Mainland China Enterprise Income Tax | (4,234) | (4,520) |
| | <u>(4,287)</u> | <u>(4,963)</u> |
| Deferred taxation | <u>(5,165)</u> | <u>(2,930)</u> |
| | <u>5,945</u> | <u>1,826</u> |

On 21st March, 2018, the Hong Kong Legislative Council passes the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of taxable profits of qualifying corporations will be taxed at 8.25%, and taxable profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime are applicable to the Group for its annual reporting periods beginning on or after 1st January, 2018. The application of the two-tiered profits tax rates regime is expected to have insignificant effect to the Group.

Under the Law of Mainland China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Chinese subsidiaries is 25%. In addition, a Chinese subsidiary of the Company was qualified as “High-tech Enterprise” in Tianjin and subject to an Enterprise Income Tax Rate of 15%, which was granted for further three years starting from 2019. Another three Chinese subsidiaries were qualified as “Small Low-profit Enterprise” in Guangdong and subject to an Enterprise Income Tax Rate of 5% for the first Renminbi (“RMB”) 1 million of taxable profits and 10% for the taxable profits above RMB1 million but not exceeding RMB3 million. Further, withholding income tax of 10% is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some Chinese entities held by companies incorporated in certain places, including Hong Kong, preferential tax rate of 5% will be applied according to Mainland China tax regulations if such companies are the beneficial owner of over 25% of these Chinese entities.

The EIT Law requires withholding tax to be levied on distribution of profits earned by a Chinese entity to a Hong Kong resident company (which is the beneficial owner of the dividend received) for profits generated after 1st January, 2008 at the rate of 5%. As at 31st December, 2019 and 2018, deferred tax was provided in full in respect of the temporary differences attributable to such profits.

6. PROFIT (LOSS) FOR THE YEAR

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit (loss) for the year has been arrived at after charging: | | |
| Amortisation of prepaid lease payments | – | 460 |
| Depreciation of property, plant and equipment | 36,559 | 37,972 |
| Depreciation of right-of-use assets | 63,029 | – |
| | <u>63,029</u> | <u>–</u> |

7. DIVIDEND

On 31st July, 2019, 12,455,628 new fully paid ordinary shares were issued and allotted at HK\$0.65 per share to the shareholders who elected to receive ordinary shares in lieu of cash dividends pursuant to the scrip dividend scheme in relation to the final dividend for the year ended 31st December, 2018. The scrip share alternative was accepted by the majority of shareholders.

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Dividends paid: | | |
| 2019 Interim – Nil (2018: HK1 cent) per ordinary share | – | 5,619 |
| 2018 Final – HK2 cents (2018: 2017 Final – HK3 cents) per ordinary share | | |
| – Cash | 3,141 | 16,858 |
| – Scrip share | 8,097 | – |
| | <u>11,238</u> | <u>22,477</u> |
| Dividend proposed: | | |
| Final dividend proposed for the year | | |
| – HK2 cents (2018: HK2 cents) per ordinary share | <u>11,488</u> | <u>11,238</u> |

The directors proposed the payment of a final dividend of HK2 cents per share for the year ended 31st December, 2019 which is subject to the approval by the shareholders at the forthcoming annual general meeting.

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to the shareholders of the Company for the year ended 31st December, 2019 and 567,143,626 (2018: 561,922,500) weighted average number of ordinary shares in issue during the year.

No diluted loss per share for the year ended 31st December, 2019 and 2018 was presented as there were no potential ordinary shares in issue during the year.

9. TRADE, BILLS, LOAN AND OTHER RECEIVABLES

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade receivables | 608,939 | 605,844 |
| Less: Impairment losses under ECL model | (41,824) | (24,963) |
| | <u>567,115</u> | <u>580,881</u> |
| Bills receivables | <u>20,543</u> | <u>13,909</u> |
| Trade and bills receivables | <u>587,658</u> | <u>594,790</u> |
| Loan receivables | 5,926 | 6,678 |
| Less: Impairment losses under ECL model | (1,990) | (1,990) |
| | <u>3,936</u> | <u>4,688</u> |
| Prepayments, deposits and other receivables | 73,393 | 82,071 |
| Less: Impairment losses under ECL model | (11,835) | (13,023) |
| | <u>61,558</u> | <u>69,048</u> |
| Total trade, bills, loan and other receivables | <u>653,152</u> | <u>668,526</u> |
| Analysed for reporting purposes as: | | |
| Current | 644,361 | 654,416 |
| Non-current – Loan receivables, net | 3,151 | 3,936 |
| Non-current – Rental and other deposits | 5,640 | 10,174 |
| | <u>653,152</u> | <u>668,526</u> |

Rental deposits paid were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 2.

As at 1st January, 2018, trade receivables amounted to HK\$698,094,000.

Other than the cash sales, the Group allows credit periods ranging from 30 to 120 days to its customers.

Trade and bills receivables, net of impairment losses under ECL model, with an ageing analysis presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates as follows:

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|--------------------|--------------------------------|-------------------------|
| 0 – 30 days | 301,049 | 266,436 |
| 31 – 60 days | 174,233 | 192,664 |
| 61 – 90 days | 70,226 | 78,168 |
| 91 – 120 days | 23,853 | 25,301 |
| More than 120 days | 18,297 | 32,221 |
| | <u>587,658</u> | <u>594,790</u> |

10. TRADE AND OTHER PAYABLES

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|-------------------|--------------------------------|-------------------------|
| Trade payables | 159,912 | 67,979 |
| Accruals | 64,716 | 64,943 |
| Deposits received | 49,957 | 6,184 |
| Other payables | 22,921 | 20,700 |
| | <u>297,506</u> | <u>159,806</u> |

The credit period on purchases of goods ranges from 30 to 90 days.

Trade payables with an ageing analysis presented based on the invoice date at the end of the reporting period as follows:

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|--------------------|--------------------------------|-------------------------|
| 0 – 30 days | 119,186 | 40,506 |
| 31 – 60 days | 24,823 | 18,414 |
| 61 – 90 days | 8,856 | 4,179 |
| 91 – 120 days | 4,907 | 2,143 |
| More than 120 days | 2,140 | 2,737 |
| | <u>159,912</u> | <u>67,979</u> |

BUSINESS REVIEW

During the year, metal products and building construction materials represent the Group's two major core businesses.

For the year ended 31st December, 2019, the Group's total revenue was HK\$2,803,735,000 representing a decrease of approximately 9% compared to last year.

The two major core businesses remained stable during the year, while the slight decrease in income was mainly attributable to the impact from the decrease of steel prices.

After the deduction of profit attributable to non-controlling interests, loss attributable to the Company amounted to HK\$6,233,000, which is a remarkable improvement compared to last year.

During the year, the Group's overall businesses continued to operate in a challenging environment, especially the construction industry in Hong Kong was still in a severe depression. However, through the team's unremitting efforts, our result has recorded a significant improvement. Excluding the provision made for the disposals of certain non-core businesses due to business restructure and the non-operational and cash flow expenses under the new accounting standard (Hong Kong Financial Reporting Standard 16 *Leases*), overall result for businesses of the Group have basically returned to profit.

Metal Products

The business is currently comprising of steel coil processing, steel wires, and steel wire rope products. Revenue for the year was HK\$1,233,605,000, an increase of approximately 4% compared to last year. Profit before interest and taxation was HK\$91,942,000, a drastic increase of approximately 90% compared to last year.

During the year, our metal products business remained stable. The relatively stable prices in raw materials and the good performance of our steel wire rope business in Tianjin, Mainland China have contributed to the greatly-improved efficiency. Benefited from the sound progress in the high-performance lifting wire rope market development and the increased capacity for elevator wire rope in the beginning of the year, both production volumes and performance for our steel wire rope products hit another new height.

The steel wire rope business in Tianjin, Mainland China is currently the largest elevator wire rope manufacturer in the world. Over the years, it provides stable supply of steel wire rope packages to international renowned elevator companies, such as OTIS, HITACHI, MITSUBISHI, THYSSEN, etc and has even replaced most of the imported products in recent years, which is an evidence to prove that the market has recognition and trust in the Group's production technology and quality of steel wire rope products.

Steel wire rope products, which include elevator wire rope and high-performance lifting wire rope, are the Group's key development projects in recent years, with the objective to become one of the best steel wire rope enterprise in Mainland China. For many years, our management and team have been devoting tremendous efforts in equipment investments, human resources trainings, product researches and developments as well as market expansion, meanwhile, we have also been tolerating for the negative impacts on the Group's results from years of developments, which is now become mature and entering into its harvest period. The Group is confident that with the dedicated efforts of the management and the team, the steel wire rope business is able to bring ideal returns to our shareholders.

Building Construction Materials

The business comprises mainly of ready mixed concrete, precast concrete products and distribution and processing of construction steel products in Hong Kong.

Revenue for the year was HK\$1,561,518,000, a decrease of 17% compared to the corresponding period of last year. Profit before interest and taxation was HK\$2,106,000, representing a significant improvement as compared to last year.

The Hong Kong construction industry is still in a difficult situation. Furthermore, our steel processing operation had a contract in relation to processing construction steel products that entered into during the year has been delayed for almost 1 year due to the settlement at the construction site, which has caused a certain extent of negative impact on the performance. Nevertheless, in the year, the Group enhanced various cost managements of the building construction material business, with a more prudence and focused on the soundness and sustainability of the building construction material business. During the year, the building construction material business obtained obvious improvements when compared to last year.

Although the general construction industry is still trapping in a sluggish market, with the commencements of a number of large-scale public works projects, such as expansion of the airport, developments in Kai Tak and West Kowloon and Tseung Kwan O Tunnel, as well as the coming years will be a peak season for public housing constructions, the Group remained optimistic about the building construction material business.

PROSPECT

In the beginning of 2020, there was an outbreak of the novel coronavirus (COVID-19) pandemic, coupled with the social unrest in Hong Kong since June in last year, it is no doubt that the short-term business of the Group will experience huge shocks and challenges and slow down the recovery expectations for the Group's results, however, the steady upward trend for the development of the Group's business for the coming years will remain unchanged. Facing the current challenges, the Group will emphasis more on the stabilities of each business and various cost expenses, and further optimize its business portfolio. In particular, we will invest more to develop the domestic steel wire rope business, which has a relatively better situation. By virtue of the unremitting efforts from our management and team, the Group is confidence and dedicated to undergo the current challenges and restore the Group's performance to another growth cycle as soon as possible.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2019, the total bank balances and cash (excluding bank balances and cash classified as assets held for sale) of the Group amounted to HK\$304,672,000 (31st December, 2018: HK\$363,567,000). As at 31st December, 2019, current ratio (current assets to current liabilities) for the Group was 1.36:1 (31st December, 2018: 1.37:1).

As at 31st December, 2019, the total borrowings of the Group amounted to HK\$791,461,000 (31st December, 2018: HK\$1,024,098,000, including obligations under finance leases of HK\$427,000).

The Group's monetary assets are principally denominated in Hong Kong dollars, Renminbi and United States dollars. As Hong Kong dollars is pegged to United States dollars, the Group believes its exposure to exchange risk is limited. For the fluctuation of exchange rate of Renminbi, the Management will continue to monitor foreign exchange exposure of Renminbi and will take prudence measures to minimize the currency risk.

CAPITAL STRUCTURE

The number of the Company's ordinary shares in issue as at 31st December, 2019 was 574,378,128 (31st December, 2018: 561,922,500).

On 31st July, 2019, 12,455,628 new fully paid ordinary shares were issued and allotted at HK\$0.65 per share to the shareholders who elected to receive ordinary shares in lieu of cash dividends pursuant to the scrip dividend scheme in relation to the final dividend for the year ended 31st December, 2018.

As at 31st December, 2019, the equity attributable to the shareholders of the Company amounted to HK\$908,435,000 (31st December, 2018: HK\$934,918,000).

As at 31st December, 2019, net gearing ratio (total borrowings minus bank balances and cash to total equity) was 0.50:1 (31st December, 2018: 0.67:1).

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2019, the total number of staff of the Group was 1,557. Remuneration is determined with reference to the performance, qualifications and experience of the employees concerned and the prevailing industry practice. The Group provides Mandatory Provident Fund entitlement to Hong Kong's employees. Moreover, share options may be granted as an incentive or reward to eligible employees in accordance with the share option scheme adopted on 5th June, 2014.

CORPORATE GOVERNANCE

The Group is committed to the maintenance of good corporate governance practices as set out in the Code on Corporate Governance Practices (the “CG Code”) in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). The Company has complied with code provisions as set out in the CG Code for the year ended 31st December, 2019 except the followings:

Code provision A.2.1, the Company does not separate the roles of Chairman and Chief Executive Officer and Mr. Pang Tak Chung MH currently holds both positions. As the board of directors (the “Board”) believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership, efficient usage of resources and allows for effective planning, formulation and implementation of the Company’s business strategies which will enable the Company to sustain the development of its business efficiently.

Code provision A.5.1, the Company does not propose to establish a nomination committee for the time being as the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new directors from time to time to ensure that it has a balanced composition of their skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the directors.

AUDIT COMMITTEE

The Company established its Audit Committee on 5th January, 1999 with written terms of reference which are in line with the CG Code. The Audit Committee comprises three Independent Non-executive Directors namely Mr. Yu Kwok Kan, Stephen, Mr. Chan Yat Yan and Mr. Lo Yip Tong.

Disclosure of financial information in this announcement complies with Appendix 16 to the Listing Rules. The Company’s Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31st December, 2019.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2019 as set out in this announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year as approved by the Board of the directors on 20th April, 2020. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with HKSA, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standards set out in Appendix 10 to the Listing Rules (the “Model Code”). Specific enquiry has been made by the Company to each director of the Company confirming that they have complied with the required standards set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company for the year ended 31st December, 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December, 2019.

FINAL DIVIDEND

Reference is made to the 2019 Results Announcement. The Board recommended payment of a final dividend of HK2 cents per share for the year ended 31st December, 2019 to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 23rd June, 2020. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company to be held on 12th June, 2020 (the "AGM"), the proposed final dividend will be paid to the Company's shareholders on 15th July, 2020.

No interim dividend was paid for the six months ended 30th June, 2019. Total dividend for the full financial year will amount to HK2 cents per share.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company (the "Register of Members") will be closed for the following periods:

- | | | |
|------|---|--|
| (i) | For determining eligibility to attend and vote at the AGM: | |
| | Latest time to lodge transfers | 4:30 p.m. on 8th June, 2020 |
| | Closure of Register of Members | 9th June, 2020 to 12th June, 2020 (both dates inclusive) |
| | Record date | 12th June, 2020 |
| (ii) | For determining entitlement to the proposed final dividend: | |
| | Latest time to lodge transfers | 4:30 p.m. on 18th June, 2020 |
| | Closure of Register of Members | 19th June, 2020 to 23rd June, 2020 (both dates inclusive) |
| | Record date | 23rd June, 2020 |

During the above closure periods, no transfer of shares of the Company will be registered. To be eligible to attend and vote at the AGM, and to qualify for entitlement to the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than the aforementioned latest time.

PUBLICATION OF AUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This audited annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.golik.com).

The 2019 annual report containing information required by the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

ACKNOWLEDGEMENT

I personally take this opportunity to thank each employee and management staff in abundance for their contributions and past efforts. I would also like to thank our customers, shareholders, banks and business associates who had supported the Group along the way. With your continuing support, the Group endeavours to deliver good results in the coming year.

By order of the Board
Golik Holdings Limited
Pang Tak Chung MH
Chairman

Hong Kong, 20th April, 2020

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. Pang Tak Chung MH, Mr. Ho Wai Yu, Sammy,
Ms. Pang Wan Ping and Mr. Lau Ngai Fai

Independent Non-executive Directors:

Mr. Yu Kwok Kan, Stephen, Mr. Chan Yat Yan
and Mr. Lo Yip Tong