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GOLIK HOLDINGS LIMITED

高力集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1118)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

The Board of Directors of Golik Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2014 together with the comparative unaudited figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30th June,	
		2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Revenue	3	1,504,084	1,439,060
Cost of sales		(1,300,950)	(1,246,422)
Gross profit		203,134	192,638
Other income		12,266	11,207
Interest income		1,225	1,525
Selling and distribution costs		(45,892)	(43,113)
Administrative expenses		(85,984)	(83,697)
Other gains and losses	4	(7,045)	(5,352)
Finance costs	5	(14,463)	(12,262)
Share of results of a joint venture		(49)	113
Profit before taxation		63,192	61,059
Income taxes	6	(6,653)	(8,162)
Profit for the period	7	56,539	52,897
Other comprehensive (expense) income:			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
– Exchange difference arising on translation of foreign operations		(3,701)	5,944
– Fair value gain on available-for-sale investment		–	4,800
Other comprehensive (expense) income for the period		(3,701)	10,744
Total comprehensive income for the period		52,838	63,641

* For identification purposes only

	Six months ended 30th June,	
	2014	2013
	(unaudited)	(unaudited)
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to:		
Shareholders of the Company	50,228	47,301
Non-controlling interests	6,311	5,596
	<u>56,539</u>	<u>52,897</u>
Total comprehensive income attributable to:		
Shareholders of the Company	47,104	57,244
Non-controlling interests	5,734	6,397
	<u>52,838</u>	<u>63,641</u>
Earnings per share	9	
Basic and diluted	<u>HK8.94 cents</u>	<u>HK8.42 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30th June, 2014 (unaudited) <i>HK\$'000</i>	As at 31st December, 2013 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current Assets			
Property, plant and equipment		461,702	464,628
Prepaid lease payments		15,997	16,380
Interests in a joint venture		2,874	2,923
Deposits placed at insurance companies		10,138	9,717
Rental and other deposits		5,617	5,918
Deposits paid for acquisition of property, plant and equipment		1,704	7,051
Amount due from a joint venture		5,233	5,414
		503,265	512,031
Current Assets			
Inventories		530,768	435,335
Trade and other receivables	10	729,781	808,078
Prepaid lease payments		489	493
Income tax recoverable		133	134
Derivative financial instruments		66	3
Pledged bank deposits		–	1,621
Bank balances and cash		338,937	464,723
		1,600,174	1,710,387
Current Liabilities			
Trade and other payables	11	270,652	268,866
Dividend payable		15,734	–
Amounts due to non-controlling shareholders		3,133	3,122
Income tax payable		9,213	8,074
Bank borrowings		747,715	911,198
Obligations under finance leases		427	258
Obligation arising from a put option to non-controlling shareholders		31,050	31,050
Derivative financial instruments		12,536	12,718
		1,090,460	1,235,286
Net Current Assets		509,714	475,101
		1,012,979	987,132

	As at 30th June, 2014 (unaudited) <i>HK\$'000</i>	As at 31st December, 2013 (audited) <i>HK\$'000</i>
Capital and Reserves		
Share capital	56,192	56,192
Share premium and reserves	840,323	808,953
	<hr/>	<hr/>
Equity attributable to shareholders of the Company	896,515	865,145
Non-controlling interests	37,194	33,327
	<hr/>	<hr/>
Total Equity	933,709	898,472
	<hr/>	<hr/>
Non-current Liabilities		
Bank borrowings	61,990	72,258
Deferred tax liabilities	16,485	15,865
Obligations under finance leases	795	537
	<hr/>	<hr/>
	79,270	88,660
	<hr/>	<hr/>
	1,012,979	987,132
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2014 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31st December, 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The application of the new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, net of discounts and sales related taxes.

Information reported to the Chairman and the Vice Chairman of the Group, being the chief operating decision makers (“CODM”), 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 plastic products and printing materials are aggregated and presented as other operations.

During the year ended 31st December, 2013, the Group's "Metal Products" and "Building Construction Materials" segments were regrouped because the CODM believe that such regrouping better reflects the segments' performance based on the respective nature of relevant operating units. Accordingly, the comparative information for the six months ended 30th June, 2013 has been restated to conform with the current period's presentation.

The following is an analysis of the Group's revenue and results by reportable segment for the period under review:

For the six months ended 30th June, 2014 (unaudited)

	Metal products HK\$'000	Building construction materials HK\$'000	Reportable segment total HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	655,760	786,261	1,442,021	62,063	-	1,504,084
Inter-segment sales	3,058	704	3,762	-	(3,762)	-
Total	<u>658,818</u>	<u>786,965</u>	<u>1,445,783</u>	<u>62,063</u>	<u>(3,762)</u>	<u>1,504,084</u>
SEGMENT RESULT						
	<u>52,194</u>	<u>43,527</u>	<u>95,721</u>	<u>(8,712)</u>	<u>197</u>	<u>87,206</u>
Unallocated other income						2,518
Unallocated corporate expenses						(12,202)
Fair value gain on put option derivative						182
Finance costs						(14,463)
Share of results of a joint venture						(49)
Profit before taxation						<u>63,192</u>

For the six months ended 30th June, 2013 (restated and unaudited)

	Metal products HK\$'000	Building construction materials HK\$'000	Reportable segment total HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	651,119	701,013	1,352,132	86,928	-	1,439,060
Inter-segment sales	1,878	3,195	5,073	-	(5,073)	-
Total	<u>652,997</u>	<u>704,208</u>	<u>1,357,205</u>	<u>86,928</u>	<u>(5,073)</u>	<u>1,439,060</u>
SEGMENT RESULT						
	<u>29,882</u>	<u>53,739</u>	<u>83,621</u>	<u>(610)</u>	<u>58</u>	<u>83,069</u>
Unallocated other income						3,620
Unallocated corporate expenses						(13,154)
Fair value loss on put option derivative						(327)
Finance costs						(12,262)
Share of results of a joint venture						113
Profit before taxation						<u>61,059</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the gross profit (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 gain (loss) on put option derivative, finance costs and share of results of a joint venture. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. OTHER GAINS AND LOSSES

	Six months ended 30th June,	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Change in fair value of foreign currency forward contracts derivative	(193)	16
Fair value (gain) loss on put option derivative	(182)	327
Loss (gain) on disposal of property, plant and equipment	617	(777)
Net exchange loss (gain)	1,356	(338)
Allowance for bad and doubtful debts, net	5,447	6,124
	<u>7,045</u>	<u>5,352</u>

5. FINANCE COSTS

	Six months ended 30th June,	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	14,434	12,250
Finance leases	29	12
	<u>14,463</u>	<u>12,262</u>

6. INCOME TAXES

	Six months ended 30th June,	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Current tax:		
Hong Kong	1,352	479
Other regions in The People's Republic of China (the "PRC")	<u>5,646</u>	<u>6,987</u>
	<u>6,998</u>	<u>7,466</u>
Overprovision in prior years:		
Other regions in the PRC	<u>(965)</u>	<u>–</u>
Deferred tax:		
Current period	<u>620</u>	<u>696</u>
	<u><u>6,653</u></u>	<u><u>8,162</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. In addition, a PRC subsidiary of the Company was qualified as "High-tech Enterprise" in Tianjin during the year ended 31st December, 2013. Accordingly, the PRC subsidiary was subject to an Enterprise Income Tax rate of 15% for three years starting from 2013.

Part of the Group's assessable profits is offset by the utilisation of tax losses previously not recognised.

7. PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	246	241
Depreciation of property, plant and equipment	20,311	19,428
(Reversal of write down) write down of inventories (included in cost of sales)	<u>(827)</u>	<u>3,628</u>

8. DIVIDEND

During the current interim period, a final dividend of HK2.8 cents per share in respect of the year ended 31st December, 2013 (six months ended 30th June, 2013: HK2.5 cents per share in respect of the year ended 31st December, 2012) was declared. The aggregate amount of the final dividend payable in the current interim period amounted to HK\$15,734,000 (six months ended 30th June, 2013: HK\$14,048,000 was paid).

Subsequent to the end of the interim period, the directors have determined that an interim dividend of HK1.5 cents per share (six months ended 30th June, 2013: HK1.5 cents per share) will be paid to the shareholders of the Company whose names appear in the register of members of the Company on 26th September, 2014.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to the shareholders of the Company of HK\$50,228,000 (six months ended 30th June, 2013: HK\$47,301,000) and 561,922,500 (six months ended 30th June, 2013: 561,922,500) number of ordinary shares in issue during the period.

The calculation of the diluted earnings per share for both periods does not assume the exercise of the written put option on shares of a subsidiary as it is anti-dilutive.

10. TRADE AND OTHER RECEIVABLES

	As at 30th June, 2014 (unaudited) <i>HK\$'000</i>	As at 31st December, 2013 (audited) <i>HK\$'000</i>
Trade receivables, net	684,625	772,518
Prepayments, deposits and other receivables	45,156	35,560
	<u>729,781</u>	<u>808,078</u>

Other than cash sales, the Group allows credit periods ranging from 30 to 90 days to its customers.

Trade receivables, net of allowance for doubtful debts, with an aged analysis presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates as follows:

	As at 30th June, 2014 (unaudited) <i>HK\$'000</i>	As at 31st December, 2013 (audited) <i>HK\$'000</i>
0 – 30 days	327,331	334,063
31 – 60 days	198,001	224,310
61 – 90 days	91,600	118,480
91 – 120 days	36,808	67,156
More than 120 days	30,885	28,509
	<u>684,625</u>	<u>772,518</u>

11. TRADE AND OTHER PAYABLES

	As at 30th June, 2014 (unaudited) <i>HK\$'000</i>	As at 31st December, 2013 (audited) <i>HK\$'000</i>
Trade payables	152,635	148,152
Accruals, deposits received and other payables	118,017	120,714
	270,652	268,866

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

	As at 30th June, 2014 (unaudited) <i>HK\$'000</i>	As at 31st December, 2013 (audited) <i>HK\$'000</i>
0 – 30 days	93,782	96,674
31 – 60 days	30,059	32,878
61 – 90 days	9,415	12,274
91 – 120 days	12,422	2,700
More than 120 days	6,957	3,626
	152,635	148,152

BUSINESS REVIEW

Metal products and building construction materials were the Group's two major core businesses during the period under review.

During the period, all of our Group's core businesses continued to remain stable and the general performance was satisfactory in spite of challenges in the general environment.

For the six months ended 30th June, 2014, the Group's revenue was HK\$1,504,084,000, representing an increase of 5% against the same period last year. After deduction of non-controlling interests, profit attributable to shareholders of the Company amounted to HK\$50,228,000, an increase of 6% compared to the same period last year.

The Board of Directors has declared an interim dividend of HK1.5 cents per share.

Metal Products

Metal products line of business comprises mainly of steel coil processing, steel wires, steel wire ropes and other processing and manufacturing of steel wire products. Revenue during the period was HK\$658,818,000, representing an increase of 1% over the same period last year. Profit before interest and taxation was HK\$52,194,000, an increase of 75% over the same period last year.

During the period, the results of metal products businesses were encouraging, recording considerable growth in the successive two years due to the successful transformation of our steel wires and steel wire rope products into higher-end steel products. In particular, at present, our elevator wire rope factory in Tianjin has developed into the most professional elevator wire rope manufacture enterprise with the largest scale and the most comprehensive product specifications in the world. Not only has it become a reliable supplier to elevator manufacturers, it was also selected to be a strategic partner by a leading multinational elevator company for co-developing new elevator products.

As a leading enterprise in the industry, we have inevitably become a target for imitation and competition. Under the pressure of fierce market competition, our management team has to uphold the enduring and strict internal administration, product quality control and development of new products to maintain our present status in the market.

Building Construction Materials

Building construction materials line of business comprises mainly of ready mixed concrete in Hong Kong, distribution and processing of construction steel products and other building construction materials. During the period, revenue was HK\$786,965,000, an increase of 12% over the same period last year. Profit before interest and taxation was HK\$43,527,000, a decrease of 19% over the same period last year.

The results from our building construction materials businesses took a step backwards compared to the corresponding period last year, mainly due to the relative decrease in profits from the steel distribution business as well as a sharp increase in the price of the aggregates used for the production of ready mixed concrete during the past six months. This increase in the cost of raw materials resulted in a decrease in the profitability of our ready mixed concrete business.

In the recent two years, softness in the steel market had kept profitability of our steel distribution business relatively low. The Group took on a conservative view in operating our steel distribution business in recent years and remains cautious to expand in response to the booming construction market. However, the softness in steel prices had helped ease the price fluctuation risk so that the results of the Group remained stable.

In order to increase the gross profit margin of our construction steels businesses, the Group actively exploited the rebar value-added business in recent years and our efforts are beginning to pay off. As factory rebar processing gradually replaces the labour intensive task of processing on job sites, the workload on steel fixers will be relieved. Job site safety and environmental issues will also improve significantly, so much so that the fledgling offsite rebar value-added business had been recognized and praised by the industry and related government departments. Rebar value-added business is expected to become a new growth prospect in the near future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2014, the total bank balances and cash of the Group amounted to HK\$338,937,000 (31st December, 2013: HK\$464,723,000). As at 30th June, 2014, the current ratio (current assets to current liabilities) of the Group was 1.47:1 (31st December, 2013: 1.38:1).

As at 30th June, 2014, the total borrowings of the Group amounted to HK\$810,927,000 (31st December, 2013: HK\$984,251,000).

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

During the period, there was no material change to the capital structure of the Company. The number of the Company's ordinary shares in issue as at 30th June, 2014 was 561,922,500 (31st December, 2013: 561,922,500). As at 30th June, 2014, the equity attributable to the shareholders of the Company amounted to HK\$896,515,000 (31st December, 2013: HK\$865,145,000).

As at 30th June, 2014, net gearing ratio (total borrowings minus total bank balances and cash to total equity) was 0.51:1 (31st December, 2013: 0.58:1).

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2014, the total number of staff of the Group was 1,257. 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 new share option scheme adopted on 5th June, 2014. Details of the new share option scheme are set out in the circular of the Company dated 25th April, 2014.

PROSPECT

The results of the Group remained stable in recent years, and our management maintains a cautious yet optimistic outlook towards the performance of each of our core businesses for the year. Looking ahead, we believe there will be many problems and challenges posed, particularly new and increased competition in the market, increasing cost pressures and products reaching the end of their lifecycles – all of which need to be resolved through persistence. Therefore, it is a long-term and difficult mission for the management to maintain and enhance business competitiveness and profitability of the Group. It is expected that with efforts of the management and our staffs, we could create a better annual result for the shareholders.

CORPORATE GOVERNANCE

The Group is committed to 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 throughout the six months ended 30th June, 2014 except the following:

Code provision A.2.1, the Company does not separate the roles of Chairman and Chief Executive Officer and Mr. Pang Tak Chung currently holds both positions. As 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.

Code provision A.5.6, the Company does not have a policy concerning diversity of board members for the time being. In designing the Board’s composition, the Company will consider from all aspects, all directors’ appointment will be based on meritocracy and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Code provision A.6.7, two Independent Non-executive Directors were unable to attend the annual general meeting of the Company held on 5th June, 2014 as they had another engagement.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 30th June, 2014. The financial information contained in this announcement is unaudited, the disclosure of which has complied with Appendix 16 to the Listing Rules.

REMUNERATION COMMITTEE

The Company established its Remuneration Committee on 21st April, 2005 with written terms of reference which are in line with the code provision. The Remuneration Committee comprises three Independent Non-executive Directors namely Mr. Yu Kwok Kan, Stephen, Mr. Chan Yat Yan and Mr. Lo Yip Tong.

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 during the six months ended 30th June, 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2014.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK1.5 cents per share amounting to HK\$8,429,000 for the six months ended 30th June, 2014 (2013 interim dividend: HK1.5 cents per share amounting to HK\$8,429,000) which are expected to be payable on 15th October, 2014 to the shareholders of the Company whose names appear in the register of members of the Company on 26th September, 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 24th September, 2014 to Friday, 26th September, 2014 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30th June, 2014, all transfer of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 23rd September, 2014.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.golik.com.hk). The 2014 Interim 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.

By Order of the Board
Golik Holdings Limited
Pang Tak Chung
Chairman

Hong Kong, 26th August, 2014

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

Executive Directors: Mr. Pang Tak Chung, Mr. Ho Wai Yu, Sammy,
Mr. John Cyril Fletcher and Ms. Pang Wan Ping

Independent Non-executive Directors: Mr. Yu Kwok Kan, Stephen, Mr. Chan Yat Yan
and Mr. Lo Yip Tong