



## GOLIK HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1118)

### ANNUAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2006

#### RESULTS

The Board of Directors of Golik Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2006 together with the comparative figures for the year ended 31st December, 2005 as follows:

#### CONSOLIDATED INCOME STATEMENT

		Year ended 31st December,	
		2006	2005
	Notes	HK\$'000	HK\$'000
Turnover	3	2,053,862	2,278,449
Cost of sales		<u>(1,787,956)</u>	<u>(2,004,502)</u>
Gross profit		265,906	273,947
Other income		28,133	28,310
Interest income		2,905	1,889
Selling and distribution costs		(69,824)	(70,286)
Administrative expenses		(128,905)	(125,777)
Loss on disposal of property, plant and equipment and prepaid lease payments		(11,906)	(4,578)
Decrease in fair value on investment properties		(500)	(970)
Discount on acquisition of additional interest in a subsidiary		5,696	—
Impairment loss on goodwill		(6,500)	(10,184)
Finance costs		(32,208)	(31,066)
Gain on disposal of subsidiaries		—	2,406
Share of results of jointly controlled entities		244	60
Share of results of associates		<u>1,454</u>	<u>1,218</u>
Profit before taxation		54,495	64,969
Income taxes	4	<u>(6,236)</u>	<u>(8,351)</u>
Profit for the year	5	<u><u>48,259</u></u>	<u><u>56,618</u></u>

Attributable to:			
Equity holders of the Company		<b>41,064</b>	32,399
Minority interests		<b>7,195</b>	24,219
		<b>48,259</b>	<b>56,618</b>
Dividend			
Paid of 2 HK cents (2005: Nil HK cent) per share		<b>11,347</b>	—
Proposed of 2.2 HK cents (2005: 2 HK cents) per share		<b>12,482</b>	11,347
Earnings per share	6		
Basic		<b>7.24 cents</b>	5.71 cents

## CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	At 31st December	
		2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
<b>Non-current Assets</b>			
Goodwill		<b>6,994</b>	13,494
Investment properties		<b>25,900</b>	26,400
Property, plant and equipment		<b>239,905</b>	267,135
Prepaid lease payments		<b>47,911</b>	48,987
Interests in jointly controlled entities		<b>1,603</b>	1,359
Interests in associates		<b>6,707</b>	5,253
Long-term receivables		<b>155</b>	823
Rental and other deposits		<b>1,091</b>	830
		<b>330,266</b>	<b>364,281</b>
<b>Current Assets</b>			
Inventories		<b>298,222</b>	309,368
Trade and other receivables	7	<b>453,074</b>	424,840
Amounts due from jointly controlled entities		<b>6,962</b>	6,914
Amount due from an associate		<b>494</b>	682
Prepaid lease payments		<b>1,187</b>	1,192
Income tax recoverable		<b>141</b>	148
Derivative financial instruments		—	4
Pledged bank deposits		<b>23,707</b>	23,604
Bank balances and cash		<b>143,481</b>	124,845
		<b>927,268</b>	<b>891,597</b>

<b>Current Liabilities</b>			
Trade and other payables	8	194,496	188,488
Amounts due to minority shareholders		2,791	4,091
Income tax payable		3,561	812
Derivative financial instruments		322	—
Bank borrowings		485,682	503,834
Obligations under finance leases		3,110	4,942
		<u>689,962</u>	<u>702,167</u>
<b>Net Current Assets</b>		<u>237,306</u>	<u>189,430</u>
		<u>567,572</u>	<u>553,711</u>
<b>Capital and Reserves</b>			
Share capital		56,736	56,736
Share premium and reserves		402,801	369,049
		<u>459,537</u>	<u>425,785</u>
Equity attributable to equity holders of the Company		459,537	425,785
Minority interests		82,600	102,833
		<u>542,137</u>	<u>528,618</u>
<b>Total Equity</b>		<u>542,137</u>	<u>528,618</u>
<b>Non-current Liabilities</b>			
Deferred tax liabilities		11,735	11,713
Bank borrowings		9,613	8,768
Obligations under finance leases		4,087	4,612
		<u>25,435</u>	<u>25,093</u>
		<u>567,572</u>	<u>553,711</u>

Notes:

## 1. Basic of preparation

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 and by the Hong Kong Companies Ordinance.

## 2. Application of new Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA, which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS29 Financial Reporting in Hyperinflationary Economies <sup>3</sup>
HK(IFRIC)-Int 8	Scope of HKFRS 2 <sup>4</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>5</sup>
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment <sup>6</sup>
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions <sup>7</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>8</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st March, 2006

<sup>4</sup> Effective for annual periods beginning on or after 1st May, 2006

<sup>5</sup> Effective for annual periods beginning on or after 1st June, 2006

<sup>6</sup> Effective for annual periods beginning on or after 1st November, 2006

<sup>7</sup> Effective for annual periods beginning on or after 1st March, 2007

<sup>8</sup> Effective for annual periods beginning on or after 1st January, 2008

### 3. Turnover and segmental information

The turnover and contributions to profit of the Group for the year ended 31st December, 2006, analysed by business segments and by geographical segments are as follows:

#### a. By business segments:

For the year ended 31st December, 2006

	Manufacturing of steel and metal products <i>HK\$'000</i>	Sales of steel and metal products <i>HK\$'000</i>	Manufacturing of construction materials <i>HK\$'000</i>	Sales of construction materials <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER							
External sales	1,056,011	88,505	252,423	470,961	185,962	—	2,053,862
Inter-segment sales	11,508	14,832	901	51,158	—	(78,399)	—
Total turnover	<u>1,067,519</u>	<u>103,337</u>	<u>253,324</u>	<u>522,119</u>	<u>185,962</u>	<u>(78,399)</u>	<u>2,053,862</u>
Inter-segment sales are charged at cost or cost plus a percentage profit mark-up.							
SEGMENT RESULT	<u>65,049</u>	<u>5,177</u>	<u>5,268</u>	<u>31,663</u>	<u>6,975</u>	<u>(470)</u>	113,662
Unallocated other income							2,750
Unallocated corporate expenses							(30,603)
Impairment loss on goodwill	—	—	(500)	—	(6,000)	—	(6,500)
Finance costs							(32,208)
Discount on acquisition of additional interest in a subsidiary	5,696	—	—	—	—	—	5,696
Share of results of jointly controlled entities	—	—	—	—	244	—	244
Share of results of associates	1,454	—	—	—	—	—	1,454
Profit before taxation							54,495
Income taxes							(6,236)
Profit for the year							<u>48,259</u>

For the year ended 31st December, 2005

	Manufacturing of steel and metal products <i>HK\$'000</i>	Sales of steel and metal products <i>HK\$'000</i>	Manufacturing of construction materials <i>HK\$'000</i>	Sales of construction materials <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER							
External sales	1,183,827	69,696	272,724	576,520	175,682	—	2,278,449
Inter-segment sales	6,422	754	1,781	56,314	—	(65,271)	—
Total turnover	<u>1,190,249</u>	<u>70,450</u>	<u>274,505</u>	<u>632,834</u>	<u>175,682</u>	<u>(65,271)</u>	<u>2,278,449</u>

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

SEGMENT RESULT	<u>85,562</u>	<u>6,996</u>	<u>(8,918)</u>	<u>23,240</u>	<u>7,818</u>	<u>(35)</u>	114,663
Unallocated other income							9,249
Unallocated corporate expenses							(21,377)
Impairment loss on goodwill	—	—	(884)	—	(9,300)	—	(10,184)
Finance costs							(31,066)
Gain (loss) on disposal of subsidiaries	3,299	—	—	(892)	(1)	—	2,406
Share of results of jointly controlled entities	—	—	—	—	60	—	60
Share of results of associates	1,218	—	—	—	—	—	<u>1,218</u>
Profit before taxation							64,969
Income taxes							<u>(8,351)</u>
Profit for the year							<u>56,618</u>

**b. By geographical segments:**

	Revenue by geographical market	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Hong Kong	<b>1,401,131</b>	1,548,371
Other regions in the People's Republic of China ("PRC")	<b>586,412</b>	646,653
Australia	<b>46,290</b>	36,835
Macau	<b>6,195</b>	31,679
Others	<b>13,834</b>	14,911
	<u><b>2,053,862</b></u>	<u>2,278,449</u>

#### 4. Income taxes

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
The charge comprises:		
Current year		
Hong Kong	4,900	3,612
Outside Hong Kong	1,950	3,143
	<u>6,850</u>	<u>6,755</u>
(Over)underprovision in prior years		
Hong Kong	(614)	(156)
Outside Hong Kong	—	1,717
	<u>(614)</u>	<u>1,561</u>
	6,236	8,316
Deferred tax	—	35
	<u>6,236</u>	<u>8,351</u>

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's subsidiaries operating in the PRC are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

#### 5. Profit for the year

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Allowance for (write back of) bad and doubtful debts	3,630	(100)
Amortisation of prepaid lease payments	1,187	1,228
Depreciation	35,861	36,758
Change in fair value of derivative financial instruments	326	(4,146)
Gain on disposal of investment properties	—	(199)
Loss on disposal of property, plant and equipment and prepaid lease payments	11,906	4,578
Gain on expiration of derivative financial instruments	(1,330)	(1,194)
Share of income tax attributable to an associate	158	92
	<u>158</u>	<u>92</u>

#### 6. Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to the equity holders of the Company for the year and on the 567,362,500 (2005: 567,362,500) ordinary shares in issue.

## 7. Trade and other receivables

Other than the cash sales, the Group allows credit periods ranging from 30 to 180 days to its customers.

Included in trade and other receivables are trade receivables with an aged analysis as follows:

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
0-30 days	<b>160,004</b>	135,507
31-60 days	<b>115,961</b>	106,692
61-90 days	<b>73,042</b>	73,462
91-120 days	<b>29,337</b>	28,597
More than 120 days	<b>22,894</b>	22,584
	<b>401,238</b>	366,842

## 8. Trade and other payables

Included in trade and other payables are trade payables with an aged analysis as follows:

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
0-30 days	<b>75,934</b>	60,573
31-60 days	<b>11,652</b>	17,405
61-90 days	<b>4,512</b>	8,413
91-120 days	<b>1,512</b>	7,435
More than 120 days	<b>26,124</b>	29,358
	<b>119,734</b>	123,184

## BUSINESS REVIEW

For the year ended 31st December, 2006, the Group achieved an annual turnover of HK\$2,053,862,000, approximately 10% decrease compared to the year of 2005. Although turnover had been declined, profit was improved over the year. After deduction of the minority interests, profit attributable to the Company was HK\$41,064,000, an increase of 27% over last year.

During the year, business environment remained very much unchanged. Domestic construction market had yet to benefit from Hong Kong's continuing economic recovery. Despite increases in production for private sector development, total expenditure in Hong Kong's construction industry was still in decline due to the greater impact from the fall in public sector projects. Volatility in global steel prices was again a feature during the year. In order to mitigate losses and minimise risks associated with the volatility of steel prices, the Group had continued to engage in a more conservative operating strategy for the "Steel Distribution" business which resulted in a decrease in turnover compared to last year. With the exception of the "Pre-stressed Steel Strands" operation, most of the core business units were in their maturing phases and could deliver solid performances. Despite a slight decrease in turnover, the Company is pleased with its increase in attributable profit.

## **Steel and Metal Products**

### **1. *Steel Coil Processing***

The two Steel Coil Processing centers located in Taipo Industrial Estate, Hong Kong and Dongguan, Guangdong mainly supply steel sheet materials to stationery, electrical appliances and metal manufacturers in the Pearl River Delta Region for their export production. It is pleasing to report that the business has operated consistently and achieved solid result despite weaker market condition during the first quarter of the year.

In order to keep pace with market condition, the Management is planning to endeavour further into the People's Republic of China (the "PRC")'s market with an aim to expand the Group's current market presence. It is forecasted that the Steel Coil Processing business will continue to provide the Group with stable and consistent profit contribution in the coming days.

### **2. *Wires Processing (Steel Wires, Wire Ropes and Pre-stressed Steel Strands)***

The year end result for the Steel Wires and Wire Ropes factory in Heshan, Guangdong was achieved as expected. During the year, the Group acquired the remaining 40% equity interest from the minority shareholder, making the Steel Wires and Wire Ropes factory in Heshan now a wholly owned subsidiary of the Group. Through the restructuring, the Group will now be able to allocate more resources to increase production capacity as well as to enhance the value of steel wires products, from which more profit contribution can be generated for the Group.

Over the past two years, the Pre-stressed Steel Strands industry in Tianjin, the PRC has witnessed a phenomenal rise in production output from competitors, leading to market saturation and intense competition between manufacturers with a resulting substantial fall in profit margins. As a result, performance of this operation during the year was not satisfactory. However, market potential for the outlook of pre-stressed steel strands is still looking remarkably strong as they are used extensively in the construction of railways, roads and infrastructure projects. It is anticipated that once the excess capacity has been absorbed by the market, the business will be able to deliver solid result for the Group for the years ahead through sound management and effective cost control initiatives.

## **Construction Materials Products**

### **1. *Steel Re-bars Stockholding and Distribution***

The Group is one of the Hong Kong's major suppliers of steel reinforcement bars for construction industry. During the year, the Group participated in supplying materials to some large construction projects in both the private and public sectors, including "Skyplaza Hong Kong International Airport", "Deep Bay Link West Corridor", "Dream City Tseung Kwan O" and "Ho Tung Lau Development", etc. In order to mitigate losses and minimise risks from the volatility of steel prices, the Group further reinforced its conservative operating strategy. As a result, turnover compared to the last year had marginally been decreased but after operational adjustments, profit increased significantly and the overall result was delightful.

### **2. *Ready Mixed Concrete Products***

The Group's concrete operations mainly supply ready mixed concrete and pre-cast concrete products to the construction industry in Hong Kong and Guangzhou regions.

During the year, the business continued to face challenges from the sluggish Hong Kong construction industry and low-pricing position in the Guangzhou concrete market, etc., the business had struggled. However, through persistent effort from the Management, target for the year was achieved and business condition resumed positive returns. The result achieved is nothing short of admirable.

The Group's outlook for the concrete business is highly optimistic. The two concrete plants located in Hong Kong and Guangzhou have tremendous geographical advantages. It is anticipated that once the market environment improves, the business will be benefited and will perform to deliver greater returns for the Group.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the year under review, there was no significant change in the capital and loan structure of the Group. As at 31st December, 2006, the Group's bank balances and cash reached approximately HK\$167,188,000. As at 31st December, 2006, current ratio (current assets to current liabilities) for the Group was 1.34:1.

As at 31st December, 2006, borrowings for the Group was approximately HK\$502,492,000.

The Group's monetary assets are principally denominated in Hong Kong dollars, Renminbi and United States dollars. As the exchange rate between Hong Kong dollars and the United States dollars is fixed, the Group believes its exposure to exchange risk is not material. 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 year, there was no change to the share capital of the Company. As at 31st December, 2006, equity attributable to equity holders of the Company reached approximately HK\$459,537,000.

As at 31st December, 2006, net gearing ratio (borrowings minus bank balances and cash to total equity) was 0.62:1.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 31st December, 2006, the total number of staff of the Group was 1,132. The Group also provided Mandatory Provident Fund entitlement to Hong Kong's employees.

## **PROSPECT**

The current operating environment is still hindered by various hurdles such as the rapid changes of demand and supply and the fluctuation of commodities prices, etc. To avoid negative impacts to the Group's result, it is necessary for the Group to respond to these risks and continue to operate diligently to our strategy. Furthermore, in improving our position, we are looking towards strengthening our cost control measures and progressively restructure operations that are not compatible and/or are not fully aligned with our core business strategies.

The Board is extremely optimistic on the future development of the Group, especially the Steel Value-added business in the PRC which has underlying high growth potentials due to its low production cost. Following Mr. Donald Tsang's sweeping victory in the recent Hong Kong Chief Executive election, one of the key messages highlighted in his prior Policy Address for his administration is to accelerate the development of the infrastructure projects in Hong Kong. The Group believes construction businesses in Hong Kong will be directly benefited as a result.

Our main focus will be on strengthening and expanding two of the Group's main core businesses in both the PRC and Hong Kong at even strides, those are "Steel Value-added" and "Construction Materials" businesses. With clear goal and strong commitment, the Group is certain on delivering compelling result.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Group is committed to ensuring high standards of corporate governance practices as set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with the code provisions as set out in the CG Code throughout the year ended 31st December, 2006 except the following:

1. the Company does not have a separate chairman and chief executive officer and Mr. Pang Tak Chung currently holds both positions. 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 the Company's business efficiently; and
2. the non-executive directors were not appointed for a specific term. All directors of the Company are subject to retirement by rotation at least once every three years in accordance with the Company's Bye-Laws.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with the management the accounting principles and policies adopted by the Group, the internal control and financial reporting matters including a review of the audited consolidated financial statements for the year ended 31st December, 2006.

## **REMUNERATION COMMITTEE**

The Remuneration Committee comprises a non-executive director and three independent non-executive directors of the Company. The Committee was set up to review and recommend to the Board the remuneration policy of the directors.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). All directors had complied with the required standard 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, 2006.

## **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, 2006.

## **FINAL DIVIDEND**

The directors recommend payment of a final dividend of 2.2 HK cents per share for the year ended 31st December, 2006 to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 23rd May, 2007. Subject to the approval of the Company's

shareholders at the forthcoming annual general meeting of the Company to be held on Wednesday, 23rd May, 2007, the said final dividend will be paid to the Company's shareholders around 16th June, 2007.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 18th May, 2007 to Wednesday, 23rd May, 2007 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the proposed final dividend for the year ended 31st December, 2006, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 17th May, 2007.

## **ACKNOWLEDGMENT**

With the Group marking its 30th anniversary this year, I would like to take this opportunity to sincerely thank our staff and our Management for their tremendous contributions and efforts over the past years. I would also like to sincerely thank our clients, shareholders, bankers and business partners for their relentless support. With their continuing support, the Group is set to deliver even better result in the coming year.

By Order of the Board  
**Pang Tak Chung**  
*Chairman*

Hong Kong, 19th April, 2007

*As at the date of this announcement, the Board of the Company comprises Mr. Pang Tak Chung, Mr. Ho Wai Yu, Sammy and Mr. John Cyril Fletcher, all of whom are Executive Directors, Mr. Robert Keith Davies, who is a Non-Executive Director, Mr. Yu Kwok Kan, Stephen, Mr. Chan Yat Yan and Mr. Lo Yip Tong are Independent Non-Executive Directors.*

Please also refer to the published version of this announcement in The Standard.