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GOLIK HOLDINGS LIMITED

高力集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1118)

ANNUAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2021

The board of directors (the “Board”) 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, 2021 together with the comparative figures for the year ended 31st December, 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31st December,	
		2021 HK\$'000	2020 HK\$'000
Revenue	3	4,053,908	2,991,068
Cost of sales		(3,538,908)	(2,495,197)
Gross profit		515,000	495,871
Other income		42,296	36,526
Selling and distribution costs		(131,716)	(134,609)
Administrative expenses		(196,063)	(165,078)
Reversal of (impairment losses) under expected credit losses (“ECL”) model, net		4,088	(12,353)
Impairment losses on interest in an associate		–	(1,005)
Other gains and losses	4	101,024	(2,778)
Other expenses		(58,218)	(45,370)
Finance costs		(27,130)	(31,836)
– Interest on bank borrowings		(15,831)	(19,658)
– Interest on lease liabilities		(11,299)	(12,178)
Share of result of a joint venture		(188)	1,603
Share of result of an associate		3	333
Profit before taxation		249,096	141,304
Income taxes	5	(27,553)	(23,659)
Profit for the year	6	221,543	117,645

* For identification purposes only

		Year ended 31st December,	
		2021	2020
	<i>Note</i>	HK\$'000	HK\$'000
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss:			
– Exchange difference arising on translation of foreign operations		17,436	32,412
– Release from exchange reserve upon disposal/deregistration of subsidiaries		(1,338)	531
– Release from Mainland China statutory reserve upon deregistration of a subsidiary		–	(43)
Item that will not be reclassified to profit or loss:			
– Fair value loss on an equity instrument at fair value through other comprehensive income (“FVTOCI”)		(1,599)	(603)
Other comprehensive income for the year		14,499	32,297
Total comprehensive income for the year		236,042	149,942
Profit for the year attributable to:			
Shareholders of the Company		197,584	93,545
Non-controlling interests		23,959	24,100
		221,543	117,645
Total comprehensive income for the year attributable to:			
Shareholders of the Company		208,570	119,940
Non-controlling interests		27,472	30,002
		236,042	149,942
Basic earnings per share	8	HK34.40 cents	HK16.29 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 31st December, 2021 <i>HK\$'000</i>	As at 31st December, 2020 <i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment		491,559	491,170
Right-of-use assets		280,809	262,785
Interest in a joint venture		5,296	5,484
Interest in an associate		–	–
Amount due from an associate		367	364
Equity instrument at FVTOCI		2,119	3,718
Insurance policy assets		13,872	13,294
Rental and other deposits	9	8,376	12,036
Deposits paid for acquisition of property, plant and equipment		8,271	4,921
Loan receivables	9	1,639	2,485
		812,308	796,257
Current Assets			
Inventories		760,901	444,521
Trade, bills, loan and other receivables	9	899,800	764,196
Income tax recoverable		2,110	467
Bank deposits with original maturity over three months		–	2,376
Bank balances and cash		672,722	403,092
		2,335,533	1,614,652
Assets classified as held for sale		–	35,097
		2,335,533	1,649,749
Current Liabilities			
Trade and other payables	10	238,343	331,058
Contract liabilities		38,432	24,510
Lease liabilities		40,496	47,299
Amounts due to non-controlling shareholders		3,200	3,200
Income tax payable		6,062	8,054
Bank borrowings		1,245,786	691,766
		1,572,319	1,105,887
Net Current Assets		763,214	543,862
		1,575,522	1,340,119

	As at 31st December, 2021 <i>HK\$'000</i>	As at 31st December, 2020 <i>HK\$'000</i>
Capital and Reserves		
Share capital	57,438	57,438
Share premium and reserves	<u>1,136,428</u>	<u>959,449</u>
Equity attributable to shareholders of the Company	1,193,866	1,016,887
Non-controlling interests	<u>113,197</u>	<u>88,545</u>
Total Equity	<u>1,307,063</u>	<u>1,105,432</u>
Non-current Liabilities		
Deferred tax liabilities	25,425	20,880
Lease liabilities	<u>243,034</u>	<u>213,807</u>
	<u>268,459</u>	<u>234,687</u>
	<u>1,575,522</u>	<u>1,340,119</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”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 insurance policy assets and certain financial instruments, which are measured at fair values at the end of each reporting period.

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

2. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1st January, 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

2.1 Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform - Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures*.

As at 1st January, 2021, the Group has several bank borrowings amounted to HK\$293,262,000 with the interests of which are indexed to Hong Kong Interbank Offered Rate (“HIBOR”) and HK\$262,091,000 with the interests of which are indexed to London Interbank Offered Rate (“LIBOR”). The amendments have had no impact on the consolidated financial statement as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost, if the bank borrowings are transitioned to an alternative rate.

2.2 Impacts on application of the agenda decision of the Committee - *Cost necessary to sell inventories (HKAS 2 Inventories)*

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the financial position and performance of the Group.

2.3 Impacts on application of the agenda decision of the Committee - *Supply chain financing arrangements*

In December 2020, the Committee, through its agenda decision, clarified how liabilities to pay for goods or services received and the related cash flows when the related invoices are part of supply chain financing arrangements should be presented in the statement of financial position and statement of cash flows. The Committee observed that an entity’s assessment of the nature of the liabilities that are part of the supply chain financing arrangements may help in determining whether the related cash flows arise from operating or financing activities. Accordingly, the settlement of trade related payables directly by the relevant financiers which resulted in derecognition of the relevant liabilities constitute non-cash transactions and the entity’s subsequent settlement with financiers should be considered as repayment of borrowings and presented under financing activities in the statement of cash flows.

Prior to the Committee’s agenda decision, the Group presented the settlement of trade related payables directly by the relevant financiers as cash outflow on operating activities and cash inflow from financing activities. Following the adoption of the Committee’s agenda decision, the management of the Group changed its accounting policies retrospectively by presenting the settlement of trade related payables directly by the relevant financiers as major non-cash transactions.

The application of the Committee’s agenda decision resulted in the increase in net cash from operating activities by HK\$2,156,605,000 and the increased in net cash used in financing activities by HK\$2,156,605,000 for the year ended 31st December, 2021.

Comparative figures in consolidated statement of cash flows have been restated to conform with current year’s presentation. Accordingly, the change in trade and other payables under operating activities for the year ended 31st December, 2020 has been restated from decrease in trade and other payables of HK\$809,000 to increase in trade and other payables of HK\$983,963,000 and the increase in trust receipt loans under financing activities for the year ended 31st December, 2020 has been restated from HK\$984,772,000 to Nil.

The reclassification has had no effect on reported profit or loss, total comprehensive income, financial position or equity for any period presented.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June, 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 ²

¹ Effective for annual periods beginning on or after 1st April, 2021.

² Effective for annual periods beginning on or after 1st January, 2022.

³ Effective for annual periods beginning on or after 1st January, 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 *Definition of Accounting Estimates* is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1st January, 2023, with early application permitted. As at 31st December, 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$269,515,000 and HK\$283,530,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

Amendments to HKAS 37 *Onerous Contracts - Cost of Fulfilling a Contract*

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application. Specifically, the amendments are applicable to the Group’s assessment of onerous contracts in relation to remaining performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period on sales of goods.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the Chairman and 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 operation relating to money lending is presented as other operation due to expanding of the business during the year 31st December, 2021, while in prior years, it was relating to printing business which was ceased during the year ended 31st December, 2020.

Disaggregation of revenue from contracts with customers

For the year ended 31st December, 2021

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>
Sales of goods				
Steel coil processing, steel wires and wire rope products	1,614,438	–	–	1,614,438
Concrete products	–	382,326	–	382,326
Construction steel products and processing, and other construction products	–	2,003,712	–	2,003,712
Service income				
Transportation income	–	53,255	–	53,255
Revenue from contract with customers	1,614,438	2,439,293	–	4,053,731
Interest income on money lending	–	–	177	177
Total revenue	1,614,438	2,439,293	177	4,053,908

For the year ended 31st December, 2020

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>
Sales of goods				
Steel coil processing, steel wires and wire rope products	1,319,899	–	–	1,319,899
Concrete products	–	379,528	–	379,528
Construction steel products and processing, and other construction products	–	1,254,537	–	1,254,537
Service income				
Transportation income	–	37,104	–	37,104
Total revenue	1,319,899	1,671,169	–	2,991,068

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.

The Group also provides transportation services to the customers. Income is recognised at the point in time when the services are rendered and the relevant goods are delivered to the customer's specific location. During the year, transportation income, which is a distinct service provided to the customers and was previously grouped under sales of goods in construction steel products and processing, and other construction products is now presented separately. Comparative figures have been restated to conform with current year presentation. Accordingly, transportation income of HK\$37,104,000 grouped under sales of goods in construction steel products and processing, and other construction products in building construction materials segment have been restated from HK\$1,291,641,000 to HK\$1,254,537,000.

Other than the cash sales, the Group allows credit periods ranging from 30 to 120 days (2020: 30 to 150 days) to its customers.

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, 2021

	Metal products <i>HK\$'000</i>	Building construction materials <i>HK\$'000</i>	Reportable segment total <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	1,614,438	2,439,293	4,053,731	177	–	4,053,908
Inter-segment sales	3,921	2,314	6,235	91	(6,326)	–
Total	<u>1,618,359</u>	<u>2,441,607</u>	<u>4,059,966</u>	<u>268</u>	<u>(6,326)</u>	<u>4,053,908</u>
SEGMENT RESULT	<u>122,228</u>	<u>67,223</u>	<u>189,451</u>	<u>159</u>	<u>–</u>	<u>189,610</u>
Unallocated other income and other gains						1,792
Unallocated corporate expenses						(16,935)
Gain on disposal of subsidiaries						101,944
Finance costs						(27,130)
– Interest on bank borrowings						(15,831)
– Interest on lease liabilities						(11,299)
Share of result of a joint venture						(188)
Share of result of an associate						3
Profit before taxation						<u>249,096</u>

For the year ended 31st December, 2020

	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	1,319,899	1,671,169	2,991,068	–	–	2,991,068
Inter-segment sales	7,340	3,113	10,453	–	(10,453)	–
Total	<u>1,327,239</u>	<u>1,674,282</u>	<u>3,001,521</u>	<u>–</u>	<u>(10,453)</u>	<u>2,991,068</u>
SEGMENT RESULT	<u>139,440</u>	<u>45,862</u>	<u>185,302</u>	<u>–</u>	<u>–</u>	<u>185,302</u>
Unallocated other income and other gains						3,780
Unallocated corporate expenses						(17,878)
Finance costs						(31,836)
– Interest on bank borrowings						(19,658)
– Interest on lease liabilities						(12,178)
Share of result of a joint venture						1,603
Share of result of an associate						333
Profit before taxation						<u>141,304</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the gross profit generated from each segment, net of selling and distribution costs and administrative expenses directly attributable to each segment without allocation of certain other income, other gains, corporate expenses, gain on disposal of subsidiaries, finance costs and share of results of a joint venture and an associate. This is the measure reported to the CODM 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, 2021

	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	25,147	15,356	40,503	–	452	40,955
Depreciation of right-of-use assets	14,633	31,714	46,347	–	7,122	53,469
Reversal of impairment losses under ECL model, net	(760)	(2,787)	(3,547)	(541)	–	(4,088)
Net (reversal of) write-down of inventories	(2,725)	20,252	17,527	–	–	17,527
Loss (gain) on disposal of property, plant and equipment	1,983	(522)	1,461	–	(314)	1,147

For the year ended 31st December, 2020

	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	19,234	16,194	35,428	–	651	36,079
Depreciation of right-of-use assets (Reversal of) impairment losses under ECL model, net	13,779	39,837	53,616	–	7,172	60,788
Net write-down of inventories	(504)	13,645	13,141	(788)	–	12,353
Loss (gain) on disposal of property, plant and equipment	3,311	12,295	15,606	–	–	15,606
	2,698	5,760	8,458	–	(20)	8,438

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, 2021

	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	18,237	2,291,536	177	2,309,950	306,270
Mainland China	1,488,988	24,943	–	1,513,931	480,293
Macau	24	122,814	–	122,838	–
Others	107,189	–	–	107,189	–
	1,614,438	2,439,293	177	4,053,908	786,563

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

For the year ended 31st December, 2020

	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	11,285	1,623,365	–	1,634,650	348,734
Mainland China	1,234,643	33,333	–	1,267,976	416,258
Macau	70	5,198	–	5,268	–
Others	73,901	9,273	–	83,174	–
	<u>1,319,899</u>	<u>1,671,169</u>	<u>–</u>	<u>2,991,068</u>	<u>764,992</u>

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 CODM in the resource allocation and assessment of performance.

4. OTHER GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gain on disposal of investment properties	–	(113)
Gain on disposal of subsidiaries	(101,944)	–
Loss on disposal of property, plant and equipment	1,147	8,438
Loss on deregistration of a subsidiary	–	488
Net exchange gain	(227)	(6,035)
	<u>(101,024)</u>	<u>2,778</u>

5. INCOME TAXES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The charge comprises:		
Current year		
Hong Kong Profits Tax	422	–
Mainland China Enterprise Income Tax	21,027	21,012
Withholding tax paid for distributed profits in Mainland China	1,567	1,306
Tax arising from the disposal of subsidiaries	5,250	–
	<u>28,266</u>	<u>22,318</u>
Underprovision (overprovision) in prior years		
Hong Kong Profits Tax	79	477
Mainland China Enterprise Income Tax	(5,337)	(2,736)
	<u>(5,258)</u>	<u>(2,259)</u>
Deferred taxation	<u>4,545</u>	<u>3,600</u>
	<u><u>27,553</u></u>	<u><u>23,659</u></u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of taxable profits of qualifying group entity 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%. No provision for Hong Kong Profits Tax had been made in 2020 as the assessable profits were absorbed by the tax losses brought forward.

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 Mainland China subsidiaries is 25% for both years. In addition, one Mainland China subsidiary of the Company in Tianjin and one in Guangdong were qualified as “High-tech Enterprise” and subject to an Enterprise Income Tax Rate of 15%, which was granted for three years starting from 2019 and 2021 respectively. Another three Mainland China 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 Mainland China entities held by companies incorporated in certain places, including Hong Kong, preferential tax rate of 5% will be applied according to EIT Law if such companies are the beneficial owner of over 25% of these Mainland China entities.

The EIT Law requires withholding tax to be levied on distribution of profits earned by a Mainland China 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, 2021 and 2020, deferred tax was provided in full in respect of the temporary differences attributable to such profits.

6. PROFIT FOR THE YEAR

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	40,955	36,079
Depreciation of right-of-use assets	53,469	60,788
	<u>40,955</u>	<u>36,079</u>
	<u>53,469</u>	<u>60,788</u>

7. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends paid:		
2020 Final – HK3.5 cents (2020: 2019 Final - HK2 cents) per ordinary share	20,103	11,488
2021 Interim – HK2 cents (2021: Nil)	11,488	–
	<u>31,591</u>	<u>11,488</u>
Dividend proposed:		
Final dividend proposed for the year – HK3 cents (2020: HK3.5 cents) per ordinary share	17,231	20,103
Special dividend proposed for the year – HK5 cents (2020: Nil) per ordinary share	28,719	–
	<u>45,950</u>	<u>20,103</u>

The directors proposed the payment of a final dividend of HK3 cents per share and a special dividend of HK5 cents per share for the year ended 31st December, 2021 which is subject to the approval by the shareholders at the forthcoming annual general meeting.

8. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the shareholders of the Company for the year and 574,378,128 (2020: 574,378,128) ordinary shares in issue during the year.

No diluted earnings per share for the year ended 31st December, 2021 and 2020 was presented as there were no potential ordinary shares in issue during the year.

9. RENTAL AND OTHER DEPOSITS, TRADE, BILLS, LOAN AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	823,102	709,195
Less: Impairment losses under ECL model	<u>(41,378)</u>	<u>(43,607)</u>
	<u>781,724</u>	<u>665,588</u>
Bills receivables	<u>31,870</u>	<u>26,352</u>
Loan receivables	3,086	3,915
Less: Impairment losses under ECL model	<u>(600)</u>	<u>(624)</u>
	<u>2,486</u>	<u>3,291</u>
Prepayments	68,981	55,929
Rental and other deposits	18,462	18,114
Other receivables	28,355	31,813
Less: Impairment losses under ECL model	<u>(22,063)</u>	<u>(22,370)</u>
	<u>93,735</u>	<u>83,486</u>
Total trade, bills, loan and other receivables	<u><u>909,815</u></u>	<u><u>778,717</u></u>
Analysed for reporting purposes as:		
Current	899,800	764,196
Non-current – Loan receivables, net	1,639	2,485
Non-current – Rental and other deposits	<u>8,376</u>	<u>12,036</u>
	<u><u>909,815</u></u>	<u><u>778,717</u></u>

Other than the cash sales, the Group allows credit periods ranging from 30 to 120 days (2020: 30 to 150 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	362,599	362,958
31 – 60 days	265,391	211,255
61 – 90 days	107,015	75,397
91 – 120 days	48,749	21,963
More than 120 days	<u>29,840</u>	<u>20,367</u>
	<u><u>813,594</u></u>	<u><u>691,940</u></u>

10. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 <i>HK\$'000</i>
Trade payables	103,374	145,567
Accruals	80,860	80,713
Deposits received	8,042	76,003
Other payables	46,067	28,775
	<hr/> 238,343 <hr/>	<hr/> 331,058 <hr/>

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

	2021 HK\$'000	2020 <i>HK\$'000</i>
0 – 30 days	56,342	104,330
31 – 60 days	29,181	27,467
61 – 90 days	7,189	5,797
91 – 120 days	4,803	3,318
More than 120 days	5,859	4,655
	<hr/> 103,374 <hr/>	<hr/> 145,567 <hr/>

The credit period on purchases of goods ranges from 30 to 120 days.

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, 2021, the Group's total revenue was approximately HK\$4,053,908,000, representing an increase of 36% compared to last year.

The increase in revenue was mainly attributable to (i) a more average growths in the two major core businesses; and (ii) an increase in prices of various commodities, including steel prices.

After the deduction of profit attributable to non-controlling interests, profit attributable to the Company amounted to approximately HK\$197,584,000, representing an increase of 111% compared to last year.

The significant increase in profit was mainly attributable to the inclusion of a special gain on disposal of the steel coil processing business in Mainland China during the year. Excluding the gain from such disposal, the Group's normal business profit for the year still increased by approximately 2% compared to last year.

During the year under review, the Group's business continued to face adverse factors such as the Covid-19 pandemic, supply chain and logistics disruptions, and significant fluctuations in commodity prices. Especially in the second half of the year, the surge in the cost of raw materials put great pressure on the gross profit margin of various businesses.

With rigorous cost control and all-round efforts, the Group's operating revenue and profit both recorded growths and hit new highs in such challenging macro environment, achieving promising results for the year.

Metal Products

The business mainly consists of steel wires and steel wire rope products manufactured in Tianjin, Heshan and Jiangmen in Mainland China.

Revenue for the year was approximately HK\$1,618,359,000, an increase of 22% compared to last year. Profit before interest and taxation amounted to approximately HK\$122,228,000, representing a decrease of 12% compared to last year.

Mainland China's effective Covid-19 pandemic control measures and the strength of its complete industrial chain have enabled the overall economy of Mainland China to have its stability and resilience maintained. The Group's steel wires and steel wire rope business in Mainland China continued to develop steadily with stable business growth. However, as raw material costs rose significantly during the year, the Group was unable to effectively shift the additional costs of most of the products to its customers, thus affecting gross profit margins. Through effective cost control and increased production scale, the Group was able to reduce various fixed costs and minimize the impact of the sharp rise in raw material costs against revenues accordingly.

The steel coil processing business used to be one of the Group's main businesses, mainly supplying high-quality imported steel coil raw materials to exporters in the Pearl River Delta. With the abolition of the "processing of imported materials" policy in Mainland China a decade ago and the significant improvement in the quality of domestic steel coil in recent years, the Group realized that the future of the steel coil processing business was uncertain and increased its efforts preferably in developing steel wire products in recent years. After years of efforts, the steel wire business has matured and the Group believes it is the right time to withdraw from the steel coil processing business in Mainland China and focus its resources and efforts on further development of steel wire products.

The disposal of the Group's steel coil business in Mainland China to an independent third party was completed during the year.

The steel coil processing center in Tai Po Industrial Estate, Hong Kong will be retained to serve customers in Hong Kong and the Group is exploring the upgrading and transformation of the processing center such that it will continue to provide good revenue returns for the Group's metal products business.

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 approximately HK\$2,441,607,000, an increase of 46% compared to last year. Profit before interest and taxation was approximately HK\$67,223,000, representing an increase of 47% compared to last year.

Benefiting from the recovery of the construction industry in Hong Kong, the overall performance of the Group's building construction materials business in Hong Kong remained strong despite affecting by unfavorable factors such as the Covid-19 pandemic and the significant increase in raw material costs during the year. This, coupled with the fact that the reinforced bar processing business was supported by the government and recognized by the market and started to bring in revenue contributions, which resulted in steady growth in revenue and profit of the building construction materials business during the year.

With a number of major infrastructure projects such as the Northern Metropolis, Lantau Tomorrow and North East New Territories developments, as well as the urgent demand for residential housing in Hong Kong, the construction industry in Hong Kong will have a long-term prosperity in the future. As one of the Hong Kong's major suppliers of building construction materials, the Group will definitely benefit and the outlook of building construction materials is optimistic.

"Green building", a new concept in the construction industry, is also a social responsibility and an inevitable trend of the construction industry. The Group is also committed to promoting the development of its building construction materials business towards "green building construction materials". By understanding the impact of its business on the environment, searching for and developing environmentally friendly building construction materials, and actively cooperating with various government departments to apply for "green certification", the Group will contribute to the building of a better and sustainable social environment.

PROSPECT

The business environment is expected to remain unstable in 2022, with the challenges and uncertainties of last year not only continuing but intensifying. The new wave of Covid-19 outbreaks has further depressed the economies of Mainland China and Hong Kong, and the tightening of pandemic control measures has once again caused disruption in the supply chain and logistics. A large number of construction projects in Hong Kong have been brought to a semi-standstill, significantly slowing down the progress of the projects and affecting the Group's building construction materials business in the first half of the year. In addition to the Covid-19 pandemic, geopolitical tensions have once again caused commodity prices to fluctuate, putting pressure on raw material costs.

The Group will continue to take a prudent approach in dealing with the current challenges and make every effort to ensure the sustainable development of its businesses. The Group expects all aspects of business pressure to ease in the second half of the year. It is hoped that through the unremitting efforts of the management and staff, we can continue to create a good performance for the Group in the coming year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2021, the total bank balances and cash (excluding bank balances and cash classified as assets held for sale) of the Group amounted to approximately HK\$672,722,000 (31st December, 2020: approximately HK\$403,092,000). As at 31st December, 2021, current ratio (current assets to current liabilities) for the Group was 1.49:1 (31st December, 2020: 1.49:1).

As at 31st December, 2021, the total borrowings of the Group amounted to approximately HK\$1,245,786,000 (31st December, 2020: approximately HK\$691,766,000).

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, 2021 was 574,378,128 (31st December, 2020: 574,378,128).

As at 31st December, 2021, the equity attributable to the shareholders of the Company amounted to approximately HK\$1,193,866,000 (31st December, 2020: approximately HK\$1,016,887,000).

As at 31st December, 2021, net gearing ratio (total borrowings minus bank balances and cash to total equity) was 0.44:1 (31st December, 2020: 0.26:1).

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2021, the total number of staff of the Group was 1,505. 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, 2021 except the followings:

Code provision A.2.1 (which has been re-numbered as code provision C.2.1 since 1st January, 2022) of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Pang Tak Chung MH had been carrying out the duties of both the chairman and chief executive officer since the establishment of the Group. Effective on 1st January, 2022, Ms. Pang Wan Ping (“Ms. Pang”) was appointed by the Board as the chief executive officer of the Group. Following the appointment of Ms. Pang, the Company has complied with code provision A.2.1 of the CG Code.

Code provision A.5.1 (which has been re-numbered as code provision B.3.1 since 1st January, 2022) of the CG Code stipulates that nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties. The Company did not have a nomination committee since the establishment of the Group. Effective on 30th December, 2021, a nomination committee has been established by the Board. Since then, the Company has complied with code provision A.5.1 of the CG Code.

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. Hai Tuen Tai, Freddie.

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, 2021.

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, 2021 as set out in this preliminary 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. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary 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, 2021.

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, 2021.

FINAL DIVIDEND AND SPECIAL DIVIDEND

Thanks to the continuous support of our shareholders, we are celebrating the 45th anniversary of the founding of the Group. Taking into account that the Company has maintained relatively good operating momentum in the year and solid balance sheet, in order to share the joy of the anniversary with our shareholders, the Board recommends payment of a final dividend of HK3 cents per share and a special dividend of HK5 cents per share for the year ended 31st December, 2021 to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 22nd June, 2022. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company to be held on 10th June, 2022 (the "AGM"), the proposed final dividend and special dividend will be paid to the Company's shareholders on 14th July, 2022.

Together with the interim dividend of HK2 cents per share, total dividends for the full financial year will amount to HK10 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 6th June, 2022 |
| | Closure of Register of Members | 7th June, 2022 to 10th June, 2022
(both dates inclusive) |
| | Record date | 10th June, 2022 |
| (ii) | For determining entitlement to the proposed final dividend and special dividend: | |
| | Latest time to lodge transfers | 4:30 p.m. on 16th June, 2022 |
| | Closure of Register of Members | 17th June, 2022 to 22nd June, 2022
(both dates inclusive) |
| | Record date | 22nd June, 2022 |

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 and special 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 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.golik.com). The 2021 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

This year marks the 45th anniversary of the founding of the Group (1977-2022), and I would like to take this opportunity to express my heartfelt gratitude to our shareholders, banks, business partners and customers who have been supporting us through years of thick and thin. I would also like to thank our management and staff who have devoted themselves to the development of the Group along the way. Without your support and dedication, the Group could not have achieved its present success. I hope that the Group will continue to receive your support in the future and that the Group's business will reach new heights. I wish you all good health!

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

Hong Kong, 30th March, 2022

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. Pang Chi To

Independent Non-executive Directors:

Mr. Yu Kwok Kan, Stephen, Mr. Chan Yat Yan
and Mr. Hai Tuen Tai, Freddie