

香港交易及結算所有限公司及香港聯合交易所有限公司對本公佈的內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示，概不對因本公佈全部或任何部份內容而產生或因倚賴該等內容而引致的任何損失承擔任何責任。

本公佈僅參考之用，並不構成收購、購買或認購任何證券之邀請或要約。

GOOD FRIEND INTERNATIONAL HOLDINGS INC.

友佳國際控股有限公司

(於開曼群島註冊成立之有限公司)

(股份代號: 2398)

海外監管公告

上市之台灣存託憑證用外國公司財務報告

本公告乃根據香港聯合交易所有限公司證券上市規則第13.10B條而作出。

以下所附是本公司按臺灣證券交易所股份有限公司的規定於二零二零年五月十四日在臺灣證券交易所股份有限公司網頁刊發的公告。

承董事會命
友佳國際控股有限公司
主席
朱志洋

香港，二零二零年五月十四日

於本公告日期，本公司董事會成員包括 (i) 四名執行董事：朱志洋先生、陳明河先生、溫吉堂先生及邱榮賢先生；及 (ii) 三名獨立非執行董事：顧福身先生、余玉堂先生及高文誠先生。

友佳國際控股有限公司及子公司

民國108年度

合併財務報表暨會計師複核報告
(上市之台灣存託憑證用外國公司財務報告)

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附 件 一

會計師複核報告

友佳國際控股有限公司 公鑒：

友佳國際控股有限公司及子公司（友佳國際集團）按香港一般公認會計原則編製之民國 108 年 12 月 31 日之綜合財務狀況表，暨民國 108 年 1 月 1 日至 12 月 31 日之綜合損益及其他全面收益表、綜合權益變動表及綜合現金流量表（金額以人民幣為單位），業經羅申美會計師事務所王德文會計師（RSM Hong Kong）查核完竣，並於 109 年 5 月 12 日出具無保留意見之查核報告（詳附件五）。隨附友佳國際集團所編製民國 108 年度依新臺幣換算之主要報表（詳附件二）暨合併財務報表之中譯本（詳附件四），業經本會計師依照「第二上市（櫃）公司財務報告複核要點」，採行必要之複核程序予以複核竣事。由於本會計師並未依照中華民國一般公認審計準則查核，故無法對上開合併財務報表之整體是否允當表達表示意見。

如附件三所述，友佳國際集團之合併財務報表格式，係依香港一般公認會計原則及相關法令編製，致與中華民國規定部分不同，是以友佳國際控股有限公司業已依據「第二上市（櫃）公司財務報告複核要點」、中華民國金融監督管理委員會認可並發布生效之國際財務報導準則、國際會計原則、解釋及解釋公告（以下簡稱「金管會認可之 IFRSs」）及相關法令予以調節，本會計師並據此複核其重編之合併資產負債表、合併綜合損益表及合併現金流量表（附件三）。

依本會計師之複核結果，未發現第一段所述友佳國際集團按新台幣換算之主要合併財務報表暨其相關資訊有違反上述「第二上市（櫃）公司財務報告複核要點」規定而須作重大修正、調整或再補充揭露之情事；本會計師亦未發現第一段所述友佳國際集團合併財務報表之中譯本內容與原文有重大不符而需作修正之情事。

勤業眾信聯合會計師事務所

會計師 李麗鳳



會計師 蘇郁瑋



證券暨期貨管理委員會核准文號
台財證六字第 0930128050 號

金融監督管理委員會核准文號
金管證審字第 1040024195 號

中 華 民 國 109 年 5 月 12 日

附 件 二

友佳國際控股有限公司及子公司

綜合財務狀況表

民國 108 年及 107 年 12 月 31 日

單位：仟元

資 產	108年12月31日		107年12月31日	
	人 民 幣	新 台 幣	人 民 幣	新 台 幣
非流動資產				
物業、廠房及設備	\$ 218,344	\$ 942,154	\$ 204,710	\$ 915,463
預付租賃款項	-	-	120,147	537,297
使用權資產	124,371	536,661	-	-
無形資產	1,407	6,071	2,215	9,905
於合營企業的投資	21,646	93,402	20,505	91,698
於聯營公司的投資	392,326	1,692,887	331,323	1,481,676
遞延所得稅資產	27,991	120,781	27,520	123,069
	<u>786,085</u>	<u>3,391,956</u>	<u>706,420</u>	<u>3,159,108</u>
流動資產				
存 貨	493,053	2,127,524	524,752	2,346,691
貿易應收帳款及其他應收款項及 預付款項	227,096	979,919	345,810	1,546,463
合約資產	44,399	191,582	46,727	208,963
應收貸款	48,394	208,820	35,627	159,324
按公平值計入其他全面收益的應 收款項	101,945	439,893	106,400	475,821
預付租賃款項	-	-	2,905	12,991
應收同系附屬公司及最終控股公 司的聯營公司的款項	6,248	26,960	23	103
應收合營企業款項	512	2,209	461	2,062
應收聯營公司及一間聯營公司的 附屬公司款項	235,155	1,014,694	151,059	675,537
限制性銀行存款及銀行結餘	106,333	458,827	69,987	312,982
按公平值計入損益的金融資產	-	-	108,020	483,065
現金結餘及現金	74,860	323,021	112,673	503,874
	<u>1,337,995</u>	<u>5,773,449</u>	<u>1,504,444</u>	<u>6,727,876</u>
總 資 產	<u>\$ 2,124,080</u>	<u>\$ 9,165,405</u>	<u>\$ 2,210,864</u>	<u>\$ 9,886,984</u>

註一：民國 108 及 107 年度財務報表之所有之資產、負債、股東權益及損益科目金額，分別以民國 108 年及 107 年 12 月 31 日之匯率 RMB 1 = NTD4.3150 及 RMB 1 = NTD4.4720 換算。

註二：最近 3 年度人民幣對新台幣最高、最低及平均匯率如下：

年 度	最 高	最 低	平 均
108.1.1-108.12.31	RMB1 : NT4.6120	RMB1 : NT4.2990	RMB1 : NT4.4722
107.1.1-107.12.31	RMB1 : NT4.7080	RMB1 : NT4.4320	RMB1 : NT4.5600
106.1.1-106.12.31	RMB1 : NT4.6880	RMB1 : NT4.3600	RMB1 : NT4.5068

董事長：朱志洋



經理人：朱志洋



會計主管：葉世強





友佳國際控股有限公司及子公司

綜合財務狀況表

民國 108 年及 107 年 12 月 31 日

單位：仟元

	108年12月31日		107年12月31日	
	人 民 幣	新 台 幣	人 民 幣	新 台 幣
權 益				
本公司權益持有人應佔權益				
股本	\$ 4,021	\$ 17,351	\$ 4,022	\$ 17,986
股本溢價	82,183	354,620	82,281	367,961
資本儲備	77,338	333,713	77,338	345,856
其他儲備	66,454	286,749	58,361	260,990
保留盈利	478,483	2,064,654	494,404	2,210,975
總 權 益	<u>708,479</u>	<u>3,057,087</u>	<u>716,406</u>	<u>3,203,768</u>
負 債				
非流動負債				
其他借貸	36,760	158,619	35,093	156,936
遞延收益	73,680	317,929	70,192	313,899
租賃負債	1,784	7,698	-	-
	<u>112,224</u>	<u>484,246</u>	<u>105,285</u>	<u>470,835</u>
流動負債				
貿易應付帳款及其他應付款項及應計開支	389,300	1,679,830	242,969	1,086,557
合約負債	300,336	1,295,950	358,751	1,604,334
遞延收益	1,410	6,084	-	-
應付最終控股公司款項	157	677	638	2,853
應付直接控股公司款項	815	3,517	2,832	12,665
應付同系附屬公司及最終控股公司的聯營公司款項	2,457	10,602	3,637	16,265
應付合營企業款項	380	1,640	362	1,619
應付一間聯營公司及一間聯營公司的附屬公司款項	23,481	101,321	28,435	127,161
租賃負債	2,486	10,727	-	-
訴訟申索撥備	60,117	259,405	60,117	268,843
退貨負債	100,903	435,396	100,903	451,238
即期所得稅負債	17,445	75,275	21,979	98,290
銀行借貸	400,071	1,726,306	563,239	2,518,805
保證撥備	4,019	17,342	5,311	23,751
	<u>1,303,377</u>	<u>5,624,072</u>	<u>1,389,173</u>	<u>6,212,381</u>
總 負 債	<u>1,415,601</u>	<u>6,108,318</u>	<u>1,494,458</u>	<u>6,683,216</u>
總負債及權益	<u>\$ 2,124,080</u>	<u>\$ 2,210,864</u>	<u>\$ 2,210,864</u>	<u>\$ 9,886,984</u>
流動資產淨值	<u>\$ 34,618</u>	<u>\$ 149,377</u>	<u>\$ 115,271</u>	<u>\$ 515,495</u>
總資產減流動負債	<u>\$ 820,703</u>	<u>\$ 3,541,333</u>	<u>\$ 821,691</u>	<u>\$ 3,674,603</u>

註一：民國 108 及 107 年度財務報表之所有之資產、負債、股東權益及損益科目金額，分別以民國 108 年及 107 年 12 月 31 日之匯率 RMB 1 = NTD4.3150 及 RMB 1 = NTD4.4720 換算。

註二：最近 3 年度人民幣對新台幣最高、最低及平均匯率如下：

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108.1.1-108.12.31	RMB1：NT4.6120	RMB1：NT4.2990	RMB1：NT4.4722
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106.1.1-106.12.31	RMB1：NT4.6880	RMB1：NT4.3600	RMB1：NT4.5068

董事長：朱志洋



經理人：朱志洋



會計主管：葉世強



友佳國際控股有限公司及子公司

綜合損益及其他全面收益表

民國 108 年及 107 年 1 月 1 日至 12 月 31 日

單位：仟元
除每股盈餘為元外

	108年度		107年度	
	人 民 幣	新 台 幣	人 民 幣	新 台 幣
收 益	\$ 910,695	\$ 3,929,649	\$ 1,090,693	\$ 4,877,579
收益成本	(701,597)	(3,027,391)	(799,966)	(3,577,448)
毛 利	<u>209,098</u>	<u>902,258</u>	<u>290,727</u>	<u>1,300,131</u>
其他收入	157,038	677,619	84,483	377,808
分銷及銷售費用	(121,928)	(526,119)	(132,609)	(593,027)
行政費用	(71,562)	(308,790)	(64,137)	(286,821)
研發成本	(29,086)	(125,506)	(37,087)	(165,853)
貿易應收帳款及合約資產之減值虧損	3,009	12,984	(8,875)	(39,689)
其他收益及虧損	(7,547)	(32,565)	(28,321)	(126,652)
其他開支	(22,805)	(98,404)	(87,968)	(393,393)
其他營運費用	(1,297)	(5,597)	(1,458)	(6,520)
經營溢利	114,920	495,880	14,755	65,984
財務費用	(24,744)	(106,770)	(14,180)	(63,413)
分佔合營企業溢利	1,141	4,923	2,118	9,472
分佔聯營公司虧損	(57,089)	(246,339)	(45,423)	(203,132)
除所得稅前(虧損)溢利	34,228	147,694	(42,730)	(191,089)
所得稅開支	(22,069)	(95,228)	(14,994)	(67,053)
本公司權益擁有人應佔(虧損)溢利	12,159	52,466	(57,724)	(258,142)
其他全面收益(開支)				
不會重分類至損益的項目				
分佔聯營公司其他全面收益(開支)	(28,080)	(121,165)	1,021	4,566
其後可能重分類至損益的項目				
分佔聯營公司其他全面收益(開支)	12,637	54,529	17,228	77,044
換算海外業務產生之匯兌差額	(4,790)	(20,669)	2,664	11,913
按公平值計入其他全面收益的				
應收款項收益淨額	246	1,061	1,999	8,940
本公司擁有人應佔全面(開支)收益總額	<u>(\$ 7,828)</u>	<u>(\$ 33,778)</u>	<u>(\$ 34,812)</u>	<u>(\$ 155,679)</u>
每股(虧損)盈利				
一 基 本	<u>\$ 0.03</u>	<u>\$ 0.13</u>	<u>(\$ 0.14)</u>	<u>(\$ 0.64)</u>
股 息	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,352</u>	<u>\$ 198,342</u>

註一：民國 108 及 107 年度財務報表之所有之資產、負債、股東權益及損益科目金額，分別以民國 108 年及 107 年 12 月 31 日之匯率 RMB 1 = NTD4.3150 及 RMB 1 = NTD4.4720 換算。

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(請參閱勤業眾信聯合會計師事務所 109 年 5 月 12 日複核報告)

董事長：朱志洋



經理人：朱志洋



會計主管：葉世強





友佳國際控股有限公司及子公司

綜合損益表

民國 108 年及 107 年 1 月 1 日至 12 月 31 日

單位：人民幣仟元

	股 \$	本 4,022	股 \$	本 82,281	溢 -	價 -	資 \$	本 77,338	儲 -	備 -	其 \$	他 39,576	儲 (	備 3,106)	保 \$	留 624,187	盈 (	利 28,728)	總 (	權 827,404	益 31,834)
107 年 1 月 1 日餘額		4,022	\$	82,281	-	-	\$	77,338	-	-	\$	39,576	(	3,106)	\$	624,187	(	28,728)	(	827,404	31,834)
追溯適用及追溯重編影響數		-		-	-	-		-	-	-		(	3,106)								31,834)
107 年 1 月 1 日重編後餘額		4,022		82,281	-	-		77,338	-	-		36,470				595,459				795,570	
全面收益：		-		-	-	-		-	-	-		-				(	57,724)			(	57,724)
年內溢利		-		-	-	-		-	-	-		-									
其他全面收益：		-		-	-	-		-	-	-		-									
分估聯營公司其他全面開支		-		-	-	-		-	-	-		17,228				1,021					18,249
換算海外業務產生之匯兌差額		-		-	-	-		-	-	-		2,664				-					2,664
按公平值計入其他全面收益的應收款項收 益淨額		-		-	-	-		-	-	-		1,999				-					1,999
全面收益總額		-		-	-	-		-	-	-		21,891				(	56,703)			(	34,812)
已付股息		-		-	-	-		-	-	-		-				(	44,352)			(	44,352)
107 年 12 月 31 日餘額		4,022		82,281	-	-		77,338	58,361	-		58,361				494,404				716,406	
全面收益：		-		-	-	-		-	-	-		-				12,159				12,159	
年內溢利		-		-	-	-		-	-	-		-									
其他全面收益：		-		-	-	-		-	-	-		-									
分估聯營公司其他全面開支		-		-	-	-		-	-	-		12,637				28,080)				(	15,443)
換算海外業務產生之匯兌差額		-		-	-	-		-	-	-		(	4,790)			-				(	4,790)
按公平值計入其他全面收益的應收款項收 益淨額		-		-	-	-		-	-	-		246				-					246
全面收益總額		-		-	-	-		-	-	-		8,093				(	15,921)			(	7,828)
購買及註銷股份		(		98)				-	-	-		-									99)
108 年 12 月 31 日餘額		4,021		82,183	-	-		77,338	66,454	-		66,454				478,483				708,479	

經理人：朱志洋



會計主管：葉世強



董事長：朱志洋





友佳國際控股有限公司及子公司
總發行所

民國 108 年及 107 年 1 月 1 日至 12 月 31 日

	股本	股本溢價	資本儲備	其他儲備	保留盈餘	總權益
107 年 1 月 1 日餘額	\$ 18,360	\$ 375,613	\$ 353,048	\$ 180,664	\$ 2,849,414	\$ 3,777,099
追溯適用及追溯重編影響數	-	-	-	(14,179)	(131,144)	(145,323)
107 年 1 月 1 日重編後餘額	18,360	375,613	353,048	166,485	2,718,270	3,631,776
全面收益：						
年內溢利	-	-	-	-	(258,142)	(258,142)
其他全面收益：						
分估聯營公司其他全面開支	-	-	-	77,044	4,566	81,610
換算海外業務產生之匯兌差額	-	-	-	11,913	-	11,913
按公平值計入其他全面收益的應收款項收益淨額	-	-	-	8,940	-	8,940
全面收益總額	-	-	-	97,897	(253,576)	(155,679)
已付股息	-	-	-	-	(198,342)	(198,342)
匯率影響數	(374)	(7,652)	(7,192)	(3,392)	(55,377)	(73,987)
107 年 12 月 31 日餘額	17,986	367,961	345,856	260,990	2,210,975	3,208,768
全面收益：						
年內溢利	-	-	-	-	52,466	52,466
其他全面收益：						
分估聯營公司其他全面開支	-	-	-	54,529	(121,165)	(66,636)
換算海外業務產生之匯兌差額	-	-	-	(20,669)	-	(20,669)
按公平值計入其他全面收益的應收款項收益淨額	-	-	-	1,061	-	1,061
全面收益總額	-	-	-	34,921	(68,699)	(33,778)
購買及註銷股份	(4)	(423)	-	-	-	(427)
匯率影響數	(631)	(12,918)	(12,143)	(9,162)	(77,622)	(112,476)
108 年 12 月 31 日餘額	\$ 17,351	\$ 354,620	\$ 333,713	\$ 286,749	\$ 2,064,654	\$ 3,057,087

註一：民國 108 及 107 年度財務報表之所有之資產、負債、股東權益及損益科目金額，分別以民國 108 年及 107 年 12 月 31 日之匯率 RMB 1 = NTD 4.3150 及 RMB 1 = NTD 4.4720 換算。

民國 107 年 1 月 1 日股東權益科目金額，係以民國 106 年 12 月 31 日之匯率 RMB 1 = NTD 4.5650 換算。



董事長：朱志洋



經理人：朱志洋



會計主管：葉世強

友佳國際控股有限公司及子公司

綜合現金流量表

民國 108 年及 107 年 1 月 1 日至 12 月 31 日

單位：仟元

	108年度		107年度	
	人 民 幣	新 台 幣	人 民 幣	新 台 幣
經營活動產生的現金流量				
營運所得現金	\$ 154,515	\$ 666,732	\$ 29,687	\$ 132,760
已繳所得稅及預扣稅	(27,096)	(116,919)	(21,905)	(97,959)
租賃負債利息	(171)	(738)	-	-
經營活動所得現金淨額	(127,248)	549,075	7,782	34,801
投資活動產生的現金流量				
聯營公司及一間聯營公司的附屬公司還款	262,142	1,131,143	10,320	46,151
向聯營公司及一間聯營公司的附屬公司作出的墊款	(273,571)	(1,180,459)	(15,048)	(67,295)
本集團一間聯營公司之附屬公司的一名非控股股東之貸款	(12,767)	(55,090)	(35,627)	(159,324)
收購物業、廠房及設備	(31,571)	(136,229)	(44,922)	(200,891)
收購預付租賃款項	-	-	-	-
出售物業、廠房及設備所得款項	472	2,037	519	2,321
購置無形資產	(16)	(69)	(264)	(1,181)
已收利息	3,842	16,578	4,496	20,106
提取限制性銀行存款	15,900	68,609	32,716	146,306
存入限制性銀行存款及銀行結餘	(52,246)	(225,441)	(69,987)	(312,982)
提取按公平值計入損益之金融資產	217,655	939,181	507,800	2,270,882
購入按公平值計入損益之金融資產	(109,635)	(473,075)	(539,680)	(2,413,449)
投資活動所用現金淨額	20,205	87,185	(149,677)	(669,356)
融資活動產生的現金流量				
銀行及其他借貸所得款項	3,708,993	16,004,305	3,390,069	15,160,389
償還銀行借貸	(3,877,937)	(16,733,298)	(3,184,943)	(14,243,065)
已收政府補貼	8,647	37,312	9,012	40,302
租賃付款本金部分	(2,651)	(11,439)	-	-
已付股息	-	-	(44,352)	(198,342)
購回股份	(99)	(427)	-	-
已付利息	(24,573)	(106,032)	(14,180)	(63,413)
融資活動所得(所用)現金淨額	(187,620)	(809,579)	155,606	695,871
現金及現金等值物(減少)增加淨額	(40,167)	(173,319)	13,711	61,316
期初現金及現金等值物	112,673	503,874	98,071	447,694
匯率調整數	2,354	(7,534)	891	(5,136)
期末現金及現金等值物	\$ 74,860	\$ 323,021	\$ 112,673	\$ 503,874

註一：民國 108 及 107 年度財務報表之所有之資產、負債、股東權益及損益科目金額，分別以民國 108 年及 107 年 12 月 31 日之匯率 RMB 1 = NTD4.3150 及 RMB 1 = NTD4.4720 換算。

註二：最近 3 年度人民幣對新台幣最高、最低及平均匯率如下：

年 度	最 高	最 低	平 均
108.1.1-108.12.31	RMB1 : NT4.6120	RMB1 : NT4.2990	RMB1 : NT4.4722
107.1.1-107.12.31	RMB1 : NT4.7080	RMB1 : NT4.4320	RMB1 : NT4.5600
106.1.1-106.12.31	RMB1 : NT4.6880	RMB1 : NT4.3600	RMB1 : NT4.5068

(請參閱勤業眾信聯合會計師事務所 109 年 5 月 12 日複核報告)

董事長：朱志洋



經理人：朱志洋



會計主管：葉世強



附件三



單位：新台幣千元

友佳國際控股有限公司
 中華民國全國商業總會
 中華民國 107 年 12 月 31 日

代碼	108年12月31日			107年12月31日			108年12月31日			107年12月31日		
	依香港一般公認會計原則編製之金額(註3)	調劑金額(註3)	編製金額	依香港一般公認會計原則編製之金額(註3)	調劑金額(註3)	編製金額	依香港一般公認會計原則編製之金額(註3)	調劑金額(註3)	編製金額	依香港一般公認會計原則編製之金額(註3)	調劑金額(註3)	編製金額
1100	\$ 323,021	\$ -	\$ 323,021	\$ 503,874	\$ -	\$ 503,874	\$ 1,726,306	\$ -	\$ 1,726,306	\$ 2,518,805	\$ -	\$ 2,518,805
1110	-	-	-	483,065	-	483,065	1,295,950	-	1,295,950	1,604,334	-	1,604,334
1136	-	-	-	-	-	-	647,871	-	647,871	-	-	-
1140	458,827	-	458,827	312,982	-	312,982	702,849	-	702,849	733,216	-	733,216
1170	191,582	-	191,582	208,963	-	208,963	117,753	-	117,753	156,485	-	156,485
1180	1,241,870	-	1,241,870	1,719,935	-	1,719,935	339,110	-	339,110	353,341	-	353,341
1200	323,120	-	323,120	63,763	-	63,763	75,275	-	75,275	4,078	-	4,078
1210	980,100	-	980,100	671,600	-	671,600	276,747	-	276,747	98,290	-	98,290
1300	2,127,534	-	2,127,534	2,346,691	-	2,346,691	10,727	-	10,727	292,594	-	292,594
1410	63,642	-	63,642	199,957	-	199,957	6,084	-	6,084	-	-	-
1412	-	-	-	12,991	-	12,991	435,396	-	435,396	451,238	-	451,238
11XX	\$ 5,773,449	\$ -	\$ 5,773,449	\$ 6,772,876	\$ -	\$ 6,772,876	\$ 5,624,072	\$ -	\$ 5,624,072	\$ 6,212,381	\$ -	\$ 6,212,381
1550	1,786,289	-	1,786,289	1,573,374	-	1,573,374	158,619	-	158,619	156,936	-	156,936
1600	942,154	-	942,154	915,463	-	915,463	7,698	-	7,698	-	-	-
1755	536,661	-	536,661	536,661	-	536,661	317,929	-	317,929	313,899	-	313,899
1780	6,071	-	6,071	9,905	-	9,905	484,426	-	484,426	470,835	-	470,835
1840	120,781	-	120,781	123,069	-	123,069	6,108,318	-	6,108,318	6,683,216	-	6,683,216
1985	3,391,956	-	3,391,956	537,287	-	537,287	-	-	-	-	-	-
15XX	\$ 3,391,956	\$ -	\$ 3,391,956	\$ 3,159,108	\$ -	\$ 3,159,108	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11XX	\$ 5,773,449	\$ -	\$ 5,773,449	\$ 6,772,876	\$ -	\$ 6,772,876	\$ 17,351	\$ -	\$ 17,351	\$ 17,986	\$ -	\$ 17,986
1XXX	\$ 9,165,405	\$ -	\$ 9,165,405	\$ 9,886,984	\$ -	\$ 9,886,984	\$ 9,165,405	\$ -	\$ 9,165,405	\$ 9,886,984	\$ -	\$ 9,886,984

註一：民國 108 及 107 年度財務報表之所有之資產、負債、股東權益及損益科目金額，分別以民國 108 年及 107 年 12 月 31 日之匯率 RMB 1 = NTD 4.3150 及 RMB 1 = NTD 4.4720 換算。

註二：最近 3 年度人民幣對新台幣最高、最低及平均匯率如下：

年	最高	最低	平均
108.1.1-108.12.31	RMB1 : NT\$4,6120	RMB1 : NT\$4,2990	RMB1 : NT\$4,4722
107.1.1-107.12.31	RMB1 : NT\$4,7080	RMB1 : NT\$4,4320	RMB1 : NT\$4,5600
106.1.1-106.12.31	RMB1 : NT\$4,6880	RMB1 : NT\$4,3600	RMB1 : NT\$4,5068



董事長：朱志洋



總經理：朱志洋



會計主管：葉世強

(請手閱動態資訊網聯合會計師事務所 109 年 5 月 12 日複核報告)

友佳國際控股有限公司
依中華民國金管會認可發行之國際財務報導準則 IFRSs 重編後合併綜合損益表
民國 108 年 1 月 1 日至 12 月 31 日

單位：新台幣仟元，惟
每股盈餘為元

代碼	項 目	108年度				107年度			
		依香港一般公認會計原則編製之金額 (註 3)	調節金額 增(減)	依中華民國金管會認可及發布生效之 IFRSs 編製金額	%	依香港一般公認會計原則編製之金額 (註 3)	調節金額 增(減)	依中華民國金管會認可及發布生效之 IFRSs 編製金額	%
4000	營業收入	\$ 3,929,649	\$ -	\$ 3,929,649	100	\$ 4,877,579	\$ -	\$ 4,877,579	100
5000	營業成本	(3,027,391)	-	(3,027,391)	(77)	(3,577,448)	-	(3,577,448)	(73)
5900	營業毛利	902,258	-	902,258	23	1,300,131	-	1,300,131	27
	營業費用								
6100	銷售費用	(526,119)	-	(526,119)	(13)	(593,027)	-	(593,027)	(12)
6200	管理費用	(308,790)	-	(308,790)	(8)	(286,821)	-	(286,821)	(6)
6300	研發費用	(125,506)	-	(125,506)	(3)	(165,853)	-	(165,853)	(4)
6450	預期信用減損損失	12,984	-	12,984	-	(39,689)	-	(39,689)	(1)
6000	營業費用合計	(947,431)	-	(947,431)	(24)	(1,085,390)	-	(1,085,390)	(23)
6510	其他收益及費損淨額	541,053	(541,053)	-	-	(148,757)	148,757	-	-
6900	營業淨(損)利	495,880	(541,053)	(45,173)	(1)	65,984	148,757	214,741	4
	營業外收入及支出								
7010	其他收入	-	677,619	677,619	17	-	377,808	377,808	8
7020	其他利益及損失	-	(136,566)	(136,566)	(3)	-	(526,565)	(526,565)	(11)
7050	財務成本	(106,770)	-	(106,770)	(3)	(63,413)	-	(63,413)	(1)
7070	採用權益法之關聯企業及合資損益份額	(241,416)	-	(241,416)	(6)	(193,660)	-	(193,660)	(4)
7000	營業外收入及支出合計	(348,186)	541,053	192,867	5	(257,073)	(148,757)	(405,830)	(8)
7900	稅前淨利(損)	147,694	-	147,694	4	(191,089)	-	(191,089)	(4)
7950	所得稅費用	(95,228)	-	(95,228)	(3)	(67,053)	-	(67,053)	(1)
8200	本年度淨利(損)	52,466	-	52,466	1	(258,142)	-	(258,142)	(5)
	其他綜合損益								
8310	不重分類至損益之項目：								
8330	採權益法之關聯企業及合資之其他綜合損益份額	(121,165)	-	(121,165)	(3)	4,566	-	4,566	-
8360	後續可能重分類至損益之項目：								
8361	國外營運機構財務報表換算之兌換差額	(20,669)	-	(20,669)	-	11,913	-	11,913	-
8367	透過其他綜合損益按公允價值衡量之債務工具投資未實現評價損益	1,061	-	1,061	-	8,940	-	8,940	-
8380	採權益法之關聯企業及合資之其他綜合損益份額	54,529	-	54,529	1	77,044	-	77,044	2
8300	本期其他綜合損益	(86,244)	-	(86,244)	(2)	102,463	-	102,463	2
8500	其他綜合損益總額	(\$ 33,778)	\$ -	(\$ 33,778)	(1)	(\$ 155,679)	\$ -	(\$ 155,679)	(3)
8600	淨利歸屬於								
8610	本公司業主	\$ 52,466	\$ -	\$ 52,466	1	(\$ 258,142)	\$ -	(\$ 258,142)	(5)
8700	綜合損益總額歸屬於								
8710	本公司業主	(\$ 33,778)	\$ -	(\$ 33,778)	(1)	(\$ 155,679)	\$ -	(\$ 155,679)	(3)
	每股盈餘								
9750	基本	\$ 0.13	\$ -	\$ 0.13		(\$ 0.64)	\$ -	(\$ 0.64)	
9850	稀釋	\$ 0.13	\$ -	\$ 0.13		(\$ 0.64)	\$ -	(\$ 0.64)	

註一：民國 108 及 107 年度財務報表之所有之資產、負債、股東權益及損益科目金額，分別以民國 108 年及 107 年 12 月 31 日之匯率 RMB 1 = NTD4.3150 及 RMB 1 = NTD4.4720 換算。

註二：最近 3 年度人民幣對新台幣最高、最低及平均匯率如下：

年 度	最 高	最 低	平 均
108.1.1-108.12.31	RMB1 : NT4.6120	RMB1 : NT4.2990	RMB1 : NT4.4722
107.1.1-107.12.31	RMB1 : NT4.7080	RMB1 : NT4.4320	RMB1 : NT4.5600
106.1.1-106.12.31	RMB1 : NT4.6880	RMB1 : NT4.3600	RMB1 : NT4.5068

(請參閱勤業眾信聯合會計師事務所 109 年 5 月 12 日複核報告)

董事長：朱志洋



經理人：朱志洋



會計主管：葉世強





友佳國際控股有限公司及子公司

依中華民國金管會認可及發給IFRSs重編後合併權益變動表

民國 108 年及 107 年 1 月 1 日至 12 月 31 日

單位：新台幣千元

	股	本	資	本	公	積	保	留	盈	利	庫	藏	股	票	權	益	總	額
							法	未	分	其	庫	庫	庫	庫	益	益	益	益
							定	分	配	他	藏	藏	藏	藏	益	益	益	益
							盈	盈	盈	儲	股	股	股	股	益	益	益	益
							餘	餘	餘	備	股	股	股	股	益	益	益	益
							積	積	積	備	股	股	股	股	益	益	益	益
							積	積	積	備	股	股	股	股	益	益	益	益
							積	積	積	備	股	股	股	股	益	益	益	益
							積	積	積	備	股	股	股	股	益	益	益	益
							積	積	積	備	股	股	股	股	益	益	益	益
107年1月1日餘額	\$ 18,360		\$ 728,661			\$ 205,083		\$ 2,849,414		24,419				\$ 3,777,099				
追溯適用及追溯重編影響數	-		-			-		(131,144)		14,179				(145,323)				
107年1月1日重編後餘額	18,360		728,661			205,083		2,718,270		38,598				3,631,776				
107年1月1日至12月31日淨利	-		-			-		(258,142)		-				(258,142)				
107年1月1日至12月31日稅後其他綜合損益	-		-			-		4,566		97,897				102,463				
107年1月1日至12月31日稅後綜合損益總額	-		-			-		(253,576)		97,897				(155,679)				
支付現金股利	-		-			-		(198,342)		-				(198,342)				
匯率影響數	(374)		(14,844)			(6,441)		(55,377)		3,049				(73,987)				
107年12月31日餘額	17,986		713,817			198,642		2,210,975		62,348				3,203,768				
108年1月1日至12月31日淨利	-		-			-		52,466		-				52,466				
108年1月1日至12月31日稅後其他綜合損益	-		-			-		(121,165)		34,921				(86,244)				
108年1月1日至12月31日稅後綜合損益總額	-		-			-		(68,699)		34,921				(33,778)				
購入庫藏股	-		-			-		-		-			(427)	(427)				
庫藏股註銷	(4)		(423)			-		-		-			427	-				
匯率影響數	(631)		(25,061)			(6,974)		(77,622)		(2,188)				(112,476)				
108年12月31日餘額	\$ 17,351		\$ 688,333			\$ 191,668		\$ 2,064,654		\$ 95,081				\$ 3,057,087				

註一：民國 108 及 107 年度財務報表之所有之資產、負債、股東權益及損益科目金額，分別以民國 108 年及 107 年 12 月 31 日之匯率 RMB 1 = NTD 4.3150 及 RMB 1 = NTD 4.4720 換算。

民國 107 年 1 月 1 日股東權益科目金額，係以民國 106 年 12 月 31 日之匯率 RMB 1 = NTD 4.5650 換算。



董事長：朱志洋



經理人：朱志洋



會計主管：葉世強



友佳國際控股有限公司及子公司
依中華民國金管會認可及發布生效之 IFRSs 重編後合併現金流量表
民國 108 年及 107 年 1 月 1 日至 12 月 31 日

單位：新台幣仟元，惟
每股盈餘為元

項 目	108年度			107年度		
	依香港一般公認會計原則編製之金額(註3)	調節金額增(減)	依中華民國金管會認可及發布生效之 IFRSs 編製金額	依香港一般公認會計原則編製之金額(註3)	調節金額增(減)	依中華民國金管會認可及發布生效之 IFRSs 編製金額
營業活動之現金流量						
本年度稅前淨(損)利	\$ 147,694	\$ -	\$ 147,694	(\$ 191,089)	\$ -	(\$ 191,089)
不影響現金流量之收益費損項目						
折舊費用	63,034	-	63,034	44,246	-	44,246
攤銷費用	3,556	-	3,556	18,590	-	18,590
預期信用減損損失	(12,984)	-	(12,984)	39,689	-	39,689
財務成本	106,770	-	106,770	63,413	-	63,413
提列負債準備	12,880	-	12,880	(160,111)	-	(160,111)
利息收入	(16,578)	-	(16,578)	(20,106)	-	(20,106)
採權益法之關聯企業及合資損益份額	241,416	-	241,416	193,660	-	193,660
存貨跌價損失(回升利益)	2,878	-	2,878	9,333	-	9,333
處分不動產、廠房及設備損失	1,795	-	1,795	(528)	-	(528)
其他非現金項目	24,923	-	24,923	13,581	-	13,581
營業資產及負債之淨變動數						
合約資產	10,093	-	10,093	(1,136)	-	(1,136)
應收帳款	432,272	-	432,272	111,237	-	111,237
應收帳款—關係人	(389,955)	-	(389,955)	42,904	-	42,904
其他應收款	(16,000)	-	(16,000)	(165,688)	-	(165,688)
存 貨	175,802	-	175,802	2,241	-	2,241
預付款項	129,295	-	129,295	(13,644)	-	(13,644)
合約負債	(252,061)	-	(252,061)	(348,637)	-	(348,637)
應付票據	647,871	-	647,871	-	-	-
應付帳款	(4,626)	-	(4,626)	50,797	-	50,797
應付帳款—關係人	(640,268)	-	(640,268)	(42,090)	-	(42,090)
其他應付款	(11,827)	-	(11,827)	(80,201)	-	(80,201)
其他應付款—關係人	(3,931)	-	(3,931)	(26,005)	-	(26,005)
預收款項	(16,177)	-	(16,177)	-	-	-
負債準備	(18,455)	-	(18,455)	(24,270)	-	(24,270)
其他流動負債	-	-	-	451,238	-	451,238
營運產生之現金流入	617,417	-	617,417	(32,576)	-	(32,576)
支付之所得稅	(116,919)	-	(116,919)	(97,959)	-	(97,959)
支付租賃負債之利息	(738)	-	(738)	-	-	-
營業活動之淨現金流(出)入	499,760	-	499,760	(130,535)	-	(130,535)
投資活動之現金流量						
取得按攤銷後成本衡量之金融資產	(156,833)	-	(156,833)	(166,676)	-	(166,676)
取得透過損益按公允價值衡量之金融資產	(473,075)	-	(473,075)	(142,567)	-	(142,567)
處分透過損益按公允價值衡量之金融資產	939,181	-	939,181	-	-	-
購置不動產、廠房及設備	(136,229)	-	(136,229)	(203,498)	-	(203,498)
處分不動產、廠房及設備價款	2,037	-	2,037	2,321	-	2,321
購置無形資產	(69)	-	(69)	(1,181)	-	(1,181)
其他應收款—關係人	(55,090)	-	(55,090)	(172,946)	-	(172,946)
收取之利息	16,578	-	16,578	20,106	-	20,106
投資活動之淨現金流出	136,500	-	136,500	(664,441)	-	(664,441)
籌資活動之現金流量						
取得銀行及其他借款	16,004,305	-	16,004,305	15,160,389	-	15,160,389
銀行及其他借款償還	(16,733,298)	-	(16,733,298)	(14,240,458)	-	(14,240,458)
取得政府收入	37,312	-	37,312	-	-	-
租賃負債本金償還	(11,439)	-	(11,439)	40,302	-	40,302
購置庫藏股	(427)	-	(427)	-	-	-
發放現金股利	-	-	-	(198,342)	-	(198,342)
支付之利息	(106,032)	-	(106,032)	(63,413)	-	(63,413)
籌資活動淨現金流出	(809,579)	-	(809,579)	698,478	-	698,478
匯率變動對現金及約當現金之影響	(7,534)	-	(7,534)	152,678	-	152,678
本期現金及約當現金增加(減少)數	(180,853)	-	(180,853)	56,180	-	56,180
期初現金及約當現金餘額	503,874	-	503,874	447,694	-	447,694
期末現金及約當現金餘額	\$ 323,021	\$ -	\$ 323,021	\$ 503,874	\$ -	\$ 503,874

註一：民國 108 及 107 年度財務報表之所有之資產、負債、股東權益及損益科目金額，分別以民國 108 年及 107 年 12 月 31 日之匯率 RMB 1 = NTD4.3150 及 RMB 1 = NTD4.4720 換算。

註二：最近 3 年度人民幣對新台幣最高、最低及平均匯率如下：

年	度	最	高	最	低	平	均
108.1.1-108.12.31		RMB1 : NT4.6120		RMB1 : NT4.2990		RMB1 : NT4.4722	
107.1.1-107.12.31		RMB1 : NT4.7080		RMB1 : NT4.4320		RMB1 : NT4.5600	
106.1.1-106.12.31		RMB1 : NT4.6880		RMB1 : NT4.3600		RMB1 : NT4.5068	

(請參閱勤業眾信聯合會計師事務所 109 年 5 月 12 日複核報告)

董事長：朱志洋



經理人：朱志洋



會計主管：葉世強



友佳國際控股有限公司及子公司

合併財務報表重編說明

民國 108 及 107 年度

(金額除另予註明者外，係以新台幣仟元為單位)

一、合併財務報表重編原則

友佳國際控股有限公司及子公司（以下簡稱合併公司）如附件四所列之民國 108 年度合併財務報告，係包括友佳國際控股有限公司（以下簡稱本公司）及子公司之合併財務資訊。

合併公司依香港法令及香港財務報告準則（以下簡稱香港一般公認會計原則）編製之主要報表格式，因與中華民國「證券發行人財務報告編製準則」及經金融監督管理委員會認可之國際財務報導準則、國際會計準則、解釋及解釋公告（以下簡稱「中華民國金管會認可及發布生效之 IFRSs」）規定不符，爰依中華民國金融監督管理委員會 101 年 12 月 13 日發布之「第二上市（櫃）公司財務報告複核要點」規定，就合併資產負債表、合併綜合損益表及合併現金流量表依中華民國金管會認可及發布生效之 IFRSs 予以重編（以下簡稱重編合併財務報表）。

因適用之會計原則不同對合併公司民國 108 年度合併綜合損益表之損益影響金額，並未達證券交易法施行細則第六條所訂應重編財務報表之標準，故上述重編合併財務報表僅依中華民國金管會認可及發布生效之 IFRSs 規定之格式與分類，將上述合併資產負債表、合併綜合損益表及合併現金流量表予以重分類。

二、中華民國金管會認可及發布生效之 IFRSs 與香港一般公認會計原則之差異彙總說明

現行已發布生效之中華民國金管會認可及發布生效之 IFRSs 與香港一般公認會計原則在特定方面存有重大差異；其中影響合併公司民國 108 年及 107 年 12 月 31 日合併資產負債表及民國 108 年度及 107 年度合併綜合損益表及合併現金流量表，進而影響重編合併財務報表之主要差異，彙總說明如下：

項 目	中 華 民 國 金 管 會 認 可 及 發 布 生 效 之 IFRSs	香 港 一 般 公 認 會 計 原 則	對 合 併 重 編 財 務 報 表 之 影 響
(一) 其他收入	非因經常營業活動所發生之收入或利益應帳列營業外收入項下。	分類為營業溢利之一部分。	已予重分類： 108年：677,619 仟元 107年：377,808 仟元
(二) 其他開支	非因經常性營業活動所發生之費用或損失應帳列營業外支出項下。	分類為營業溢利之一部分。	已予重分類： 108年：136,566 仟元 107年：526,565 仟元
(三) 現金流量表表達方式	依據中華民國金管會認可及發布生效之 IFRSs，來自營業活動之淨現金流量，係於現金流量表中詳細列示其組成項目，包含本年度稅前淨利、當期存貨及營業應收款與應付款之變動、非現金項目（諸如折舊、攤銷費用、呆帳費用等）。	依據香港一般公認會計原則之慣例，經營活動所得現金淨額之組成項目，可詳細列示於現金流量表中，亦得僅列示彙總之營運所得現金金額及所得稅支付數於現金流量表，再於附註中詳細揭露其組成項目。	已依中華民國金管會認可及發布生效之 IFRSs 規定予以拆分列示來自營業活動淨現金流量之組成項目。

附 件 四

GOOD FRIEND INTERNATIONAL HOLDINGS INC. 友佳國際控股有限公司

(於開曼群島註冊成立之有限公司)

股份代號: 2398



2019
年報

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董事會

執行董事

朱志洋 (主席及行政總裁)
陳明河
溫吉堂
邱榮賢

獨立非執行董事

顧福身
余玉堂
高文誠

公司秘書

羅泰安

法定代表

朱志洋
邱榮賢

香港法律的法律顧問

胡關李羅律師行

審核委員會

顧福身 (委員會主席)
余玉堂
高文誠

薪酬委員會

顧福身 (委員會主席)
余玉堂
高文誠

提名委員會

顧福身 (委員會主席)
余玉堂
高文誠

核數師

羅申美會計師事務所

註冊辦事處

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

香港主要營業地點

香港
德輔道中317至319號
啟德商業大廈
20樓2003室

中國主要營業地點

中國
浙江省
杭州市
蕭山區
蕭山經濟技術開發區
市心北路120號

主要股份過戶登記處

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

股份過戶登記處香港分處

卓佳證券登記有限公司
香港
皇后大道東183號
合和中心54樓

主要往來銀行

中國銀行
恒生銀行有限公司
中國工商銀行
凱基銀行
兆豐國際商業銀行
臺灣新光銀行
永豐銀行
盤谷銀行

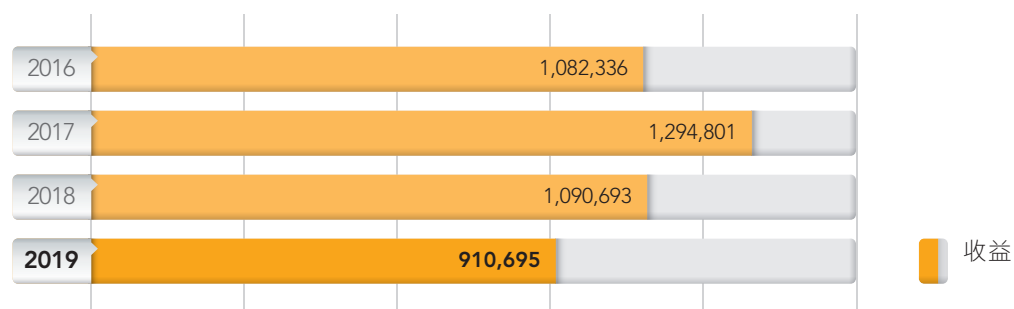
股份代號

2398

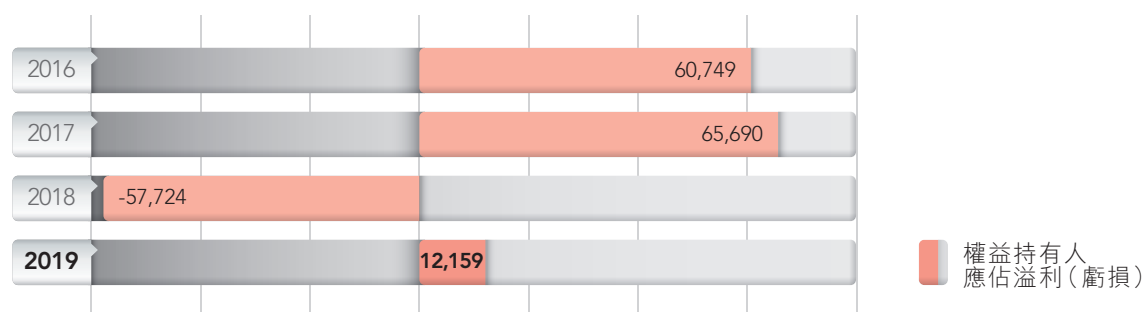
網站

<http://www.goodfriend.hk>

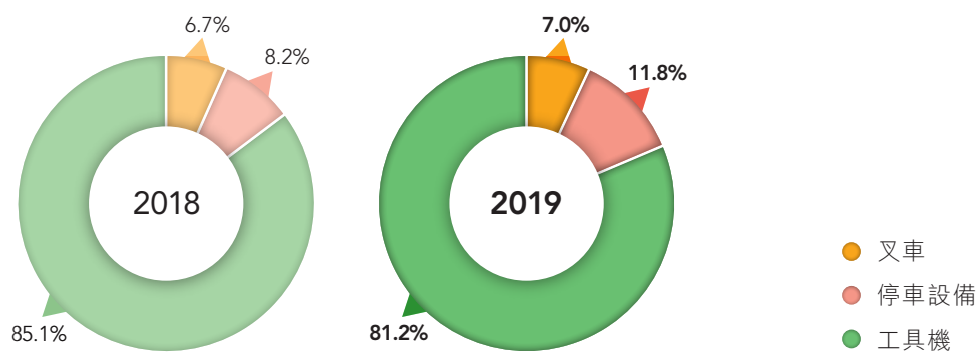
收益 (人民幣千元)



本公司權益持有人應佔溢利 (虧損) (人民幣千元)



業務分部 (按收益計算)



兩年財務數字的比較

截至十二月三十一日止年度

	二零一九年 人民幣千元	二零一八年 人民幣千元	變動 (%)
收益	910,695	1,090,693	(16.5)%
毛利	209,098	290,727	(28.1)%
權益持有人應佔溢利(虧損)	12,159	(57,724)	121.1%
股東權益	708,479	716,406	(1.1)%
總資產	2,124,080	2,210,864	(3.9)%
每股盈利(虧損) – 基本(人民幣元)	0.03	(0.14)	121.4%

主要財務比率的摘要

截至十二月三十一日止年度

	二零一九年	二零一八年	變動 (%)
毛利率 ^{附註1}	23.0%	26.7%	(13.9)%
淨溢利(虧損)率 ^{附註2}	1.3%	(5.3)%	124.5%
存貨周轉日數 ^{附註3}	256.5	239.4	7.1%
應收款項周轉日數 ^{附註4}	74.5	92.7	(19.6)%
應付賬款周轉日數 ^{附註5}	84.7	74.8	13.2%
流動比率(倍) ^{附註6}	1.0	1.1	(9.1)%
速動比率(倍) ^{附註7}	0.6	0.7	(14.3)%
資本負債比率(%) ^{附註8}	18.8%	25.5%	(26.3)%
權益回報率(%) ^{附註9}	1.7%	(8.1)%	121.0%

附註1： 毛利率按毛利除以收益計算。

附註2： 淨溢利(虧損)率按權益持有人應佔溢利(虧損)除以收益計算。

附註3： 存貨周轉日數乃按期末存貨除以銷售收益成本再乘以365日。

附註4： 應收款項周轉日數乃按期末貿易應收賬除以收入再乘以365日。

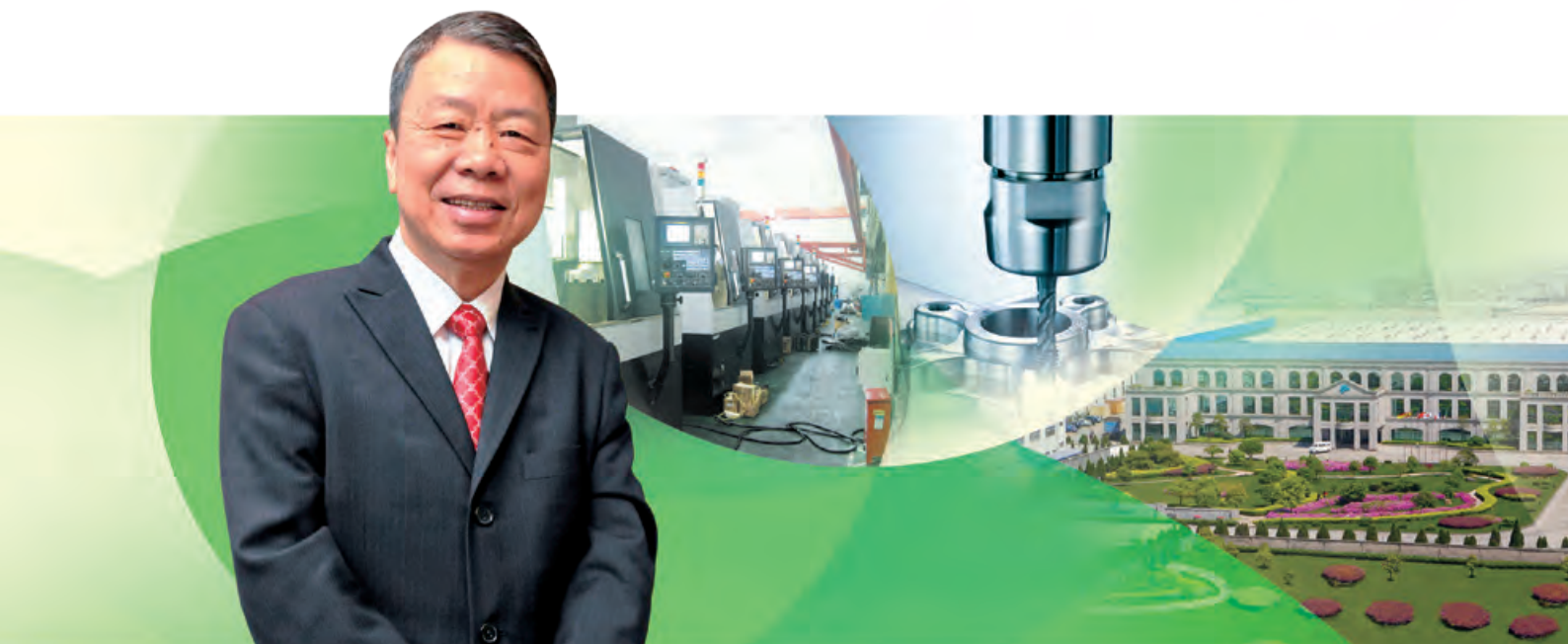
附註5： 應付賬款周轉日數乃按期末貿易應付賬除以收益成本再乘以365日。

附註6： 流動比率以相應年末流動資產總值除以流動負債總額計算。上表的數字以比率(而非百分比)呈列。

附註7： 速動比率乃按有關年度完結時之流動資產總值(不包括存貨)除以總流動負債計算。上表數字乃以比率而非百分比形式列示。

附註8： 資本負債比率以年末總負債除以總資產計算。總負債指年末具息負債的總額。

附註9： 權益回報率以權益持有人應佔溢利(虧損)除以相應年末的股東權益總額計算。



本人謹代表董事（「董事」）會（「董事會」），向各位股東提呈友佳國際控股有限公司（「本公司」）及其附屬公司（統稱「本集團」）截至二零一九年十二月三十一日止年度之全年（「本年度」）業績報告。

財務業績

截至二零一九年十二月三十一日止年度，本集團錄得收入約人民幣910,700,000元，較二零一八年下跌約16.5%。而本年度錄得權益持有人應佔溢利約人民幣12,160,000元，而二零一八年為權益持有人應佔虧損約人民幣57,720,000元。

末期股息

董事會不建議派發截至二零一九年十二月三十一日止年度末期股息（二零一八年：無）。

業務回顧

根據中國國家統計局所發佈的經濟資料顯示，二零一九年中國國內生產總值(GDP)同比增長6.1%。顯示中國經濟總體平穩發展。於截至二零一九年十二月三十一日止年度，本集團之主營產品CNC工具機之銷售數量及銷售額分別為1,527台及約人民幣739,060,000。

財務回顧

收益

截至二零一九年十二月三十一日止年度，本集團錄得收益約人民幣910,700,000元，與二零一八年比較下跌約16.5%。於本年度，CNC工具機、停車設備及叉車的銷售數量分別為1,527台、7,792台及841台（二零一八年：2,028台、10,902台及999台），本集團之主要收益來源仍為銷售CNC工具機。於本年度，CNC工具機業務的銷售額約為人民幣739,060,000元，較二零一八年下跌約20.4%，佔本集團整體收益約81.2%。另一方面，於本年度本集團的停車設備業務之銷售額較二零一八年上升約19.5%至約人民幣107,350,000元，佔本集團整體收益約11.8%。此外，叉車業務於本年度之銷售額為約人民幣64,290,000元，比較二零一八年下跌約11.4%，佔總收益約7.0%。

毛利及毛利率

截至二零一九年十二月三十一日止年度，本集團之毛利約人民幣209,100,000元，而整體毛利率約為23.0%，而二零一八年之毛利率為26.7%。本集團的主營產品CNC工具機於本年度之毛利率為約25.6%。

其他收入

於本年度，其他收入包含了一項賠償收入約人民幣72,670,000元。乃為FFG Werke GmbH（有關CNC工具機產品之供應商）就於二零一八年報內披露之一客戶向本集團之附屬公司提出訴訟而向本集團作出之賠償。

分銷及銷售費用

截至二零一九年十二月三十一日止年度，分銷及銷售費用約為人民幣121,930,000元，與二零一八年比較減少約8.1%。於本年度，分銷及銷售費用佔本集團收益百分比約為13.4%，而二零一八年約為12.2%。

行政費用

截至二零一九年十二月三十一日止年度，行政費用較二零一八年上升約11.6%，主要由於本年度員工成本以及辦公室費用上升所致。

其他收益及虧損

其他收益及虧損主要包含本年度的滙兌虧損。

財務費用

於本年度，財務費用增加至約人民幣24,740,000元，主要由於本集團於二零一九年的平均銀行借貸增加所致。

分佔聯營公司虧損

截至二零一九年十二月三十一日止年度，分佔聯營公司虧損約為人民幣57,090,000元。乃指於本年度內分佔其位於德國的一間聯營公司「FFG European and American Holdings GmbH」的業績。

本公司擁有人應佔溢利

截至二零一九年十二月三十一日止年度，本公司的擁有人應佔溢利約人民幣12,160,000元。而截至二零一八年十二月三十一日止年度，本公司的擁有人應佔虧損約人民幣57,720,000元。

流動資金及財務資源

於二零一九年十二月三十一日，本集團擁有流動資產淨額約人民幣34,620,000元（二零一八年：人民幣115,270,000元），股東資金約人民幣708,480,000元（二零一八年：人民幣716,410,000元），以及短期銀行貸款約人民幣400,070,000元（二零一八年：人民幣563,240,000元）。本集團之營運資金乃由內部經營所得現金流量及現有銀行授信額度作融資。

於二零一九年十二月三十一日，銀行結餘及現金為數約人民幣74,860,000元（二零一八年：人民幣112,670,000元）。本集團的流動比率（流動資產總額對流動負債總額的比率）約為1.0倍（二零一八年：1.1倍）。資本負債比率（債項總額對資產總值的比率）約為18.8%（二零一八年：25.5%），反映本集團整體財務狀況仍然保持穩健。

資本架構及庫務政策

於二零一九年十二月三十一日，本公司的股本為港幣4,030,740元，分為403,074,000股每股港幣0.01元的股份（二零一八年十二月三十一日：港幣4,032,000元，分為403,200,000股每股港幣0.01元的股份）。

本集團一般透過內部產生的現金流量及銀行給予的信貸額度提供業務所需資金。於二零一九年十二月三十一日，尚未繳清的短期貸款約人民幣400,070,000元（二零一八年：人民幣563,240,000元）。本集團採用的借貸方式主要包括銀行貸款。於本年度，本集團並無作出任何利率對沖安排。

重大投資

截至二零一九年十二月三十一日止年度，本集團並無持有任何重大投資。

重大的附屬公司收購及出售事項

截至二零一九年十二月三十一日止年度，本集團並無任何重大的附屬公司或聯營公司收購或出售事項。

分類資料

截至二零一九年十二月三十一日止年度，有關分類資料的詳情載於綜合財務報表附註6B。

僱員及薪酬政策

於二零一九年十二月三十一日，本集團在香港及中國僱用合共1,080位（二零一八年：1,160位）全職僱員。本集團的員工總成本（包括董事袍金及酬金）為數約人民幣154,020,000元（二零一八年：人民幣152,510,000元）。本集團的薪酬檢討政策乃依據市場趨勢、未來計劃及個別僱員於各範疇之表現及經定期檢討而釐定。

本公司於二零一六年六月二日採納購股權計劃，旨在鼓勵及表揚合資格參與者為本集團所作出的貢獻。本集團自採納購股權計劃以來，並無授出購股權。

本公司的附屬公司僱員參加中國當地政府營運的國家管理社會福利計劃，而香港僱員則參與強制性公積金計劃。於截至二零一九年十二月三十一日止，本集團向上述計劃作出供款約人民幣5,540,000元（二零一八年：人民幣4,910,000元）。

資本承擔及或然負債

本集團就有關物業、廠房及設備已訂約但尚未於截至二零一九年十二月三十一日之綜合財務報表撥備的資本支出已作出的承擔約為人民幣24,250,000元（二零一八年：人民幣53,130,000元）。於二零一九年十二月三十一日，本集團並無任何重大或然負債（二零一八年：無）。

集團資產押記

於二零一九年十二月三十一日，本集團之限制性銀行存款及銀行結餘約人民幣106,330,000元（二零一八年：人民幣69,990,000元）。主要為就一客戶所提出之訴訟申索而被凍結的銀行款項，以及就承兌匯票而存放於銀行的存款。

另外，本公司一間附屬公司以總賬面值約人民幣82,480,000元（二零一八年：人民幣95,360,000元）之使用權資產／預付租賃款項抵押作其獲授融資額度。於二零一九年十二月三十一日，附屬公司使用約人民幣36,760,000元有抵押融資額度（二零一八年：人民幣35,090,000元）。

有關重大投資或資本資產的未來計劃

於二零一九年十二月三十一日，本公司並無有關重大投資及購入重大資本資產之具體計劃。然而，本集團將繼續尋找新業務發展機遇。

外匯風險

本集團主要在中國以內經營業務。截至二零一九年十二月三十一日止年度，本集團以人民幣收取大部分收益，部分已兌換為港幣、美元、歐元及其他外幣等外幣，以支付有關入口零部件的款項。因此，本集團面對若干程度的外匯波動風險。本集團於本年度並無進行對沖活動。然而，本集團管理層會一直監控匯率風險，並會於有需要時考慮對沖重大外幣風險。

人民幣目前並非自由兌換貨幣。本集團的部分人民幣收益或溢利須轉換為其他貨幣，以履行本集團的外幣義務，例如在宣派股息的情況下派付股息。

董事及高級管理人員的履歷詳情

執行董事

朱志洋先生，73歲，分別於二零零五年九月獲委任為執行董事及於二零一八年十二月獲委任為行政總裁。彼為董事會主席負責本集團之整體策略計劃、管理、業務開發及本集團企業政策之制訂。朱先生在機械、製造及工具機業累積了逾三十年經驗。朱先生亦為杭州友高精密機械有限公司及杭州友華精密機械有限公司之董事，該兩家公司均為本公司之全資附屬公司。

陳明河先生，69歲，於二零零五年十二月獲委任為執行董事。陳先生負責本集團整體業務運作。陳先生在機械、製造及工具機業累積了逾十五年經驗。彼亦為杭州友佳精密機械有限公司、友盛(上海)精密機械有限公司、杭州友達機械科技有限公司及上海顯德精密機械有限公司之董事。彼於一九九三年加入本集團。

溫吉堂先生，55歲，於二零零五年十二月獲委任為執行董事。溫先生為杭州友佳精密機械有限公司工具機械部之副總經理，並由二零一一年一月一日起升任為總經理。彼負責該部門的生產及運作。溫先生於工具機業累積逾三十四年經驗。彼亦為杭州友佳精密機械有限公司、杭州友高精密機械有限公司、杭州友華精密機械有限公司及杭州友達機械科技有限公司之董事。彼於二零零三年加入本集團。

邱榮賢先生，62歲，於二零零五年十二月獲委任為執行董事。邱先生為杭州友佳精密機械有限公司停車設備部經理，並由二零一一年一月一日起升任為協理。彼負責該部門的生產及運作。邱先生在機械及製造業累積了逾三十五年經驗。彼於二零零一年加入本集團。

獨立非執行董事

顧福身先生，63歲，於二零零五年十二月獲委任為獨立非執行董事，彼亦為本公司審核委員會、薪酬委員會及提名委員會之主席。彼於投資銀行業及專業會計有逾二十年之豐富經驗。顧先生現為李寧有限公司、興達國際控股有限公司及宏輝集團控股有限公司(全為聯交所主板上市公司)之獨立非執行董事。至二零一七年六月，彼為美聯集團有限公司(聯交所主板上市公司)之獨立非執行董事。彼為一名註冊會計師。

余玉堂先生，83歲，於二零零五年十二月獲委任為獨立非執行董事，彼為本公司審核委員會、提名委員會及薪酬委員會的成員。彼曾任台灣新竹縣政府及省政府顧問。

董事及高級管理人員的履歷詳情

高文誠先生，60歲，於二零二零年一月十日獲委任為獨立非執行董事，及為本公司審核委員會、提名委員會及薪酬委員會的成員。高先生曾任職於經濟部訴願審議委員會及立法院江副院長辦公室。高先生曾於二零零八年至二零一二年期間出任財團法人海峽交流基金會之副秘書長；於二零一二年至二零一八年期間出任中華民國三三企業交流會之副秘書長；於二零一二年至二零一七年期間，他曾出任中國信託商業銀行之顧問，目前為中國信託商業銀行董事長室之專門委員。於二零一二年至二零一九年期間，他曾兼任海峽兩岸經貿文化交流協會之秘書長，目前為該協會之副會長。高先生目前亦為江蘇榮成環保科技股份有限公司之獨立董事。

高級管理人員

強家鑫先生，61歲，獲委任為杭州友高的製造、銷售及售後服務經理，負責國內叉車生產管理、業務、銷售及售後服務工作。強先生在一九七九年畢業於台灣復興工業專科學校機械工程系，並於二零零零年七月一日加入本集團。彼在汽車零件及叉車業有逾三十四年設計、製造及生產管理的工作經驗。

吳立城先生，58歲，獲委任為杭州友佳工具機部之售後服務部經理，並由二零一四年一月升任為協理。彼於二零零零年十月加入本集團及在工具機行業有逾三十五年經驗。

黃飛雄先生，51歲，獲委任為杭州友佳的副總經理，負責一般行政及管理工作。黃先生於2015年畢業於香港城市大學，獲頒工商管理博士學位。彼於二零一九年五月加入本集團前，曾服務於台灣上市公司，並在核數、會計及財務、工廠經營管理方面具有逾25年工作經驗。

葉世強先生，54歲，獲委任為本公司的財務總監，負責本集團的財務及會計工作。葉先生持有香港大學社會科學學士學位。彼為特許公認會計師公會及香港會計師公會的資深會員。葉先生於二零零七年十一月加入本集團，並在企業融資、審核及會計範疇累積約三十年經驗。

本公司董事會（「董事會」）欣然提呈其報告，連同本集團截至二零一九年十二月三十一日止年度的經審核綜合財務報表。

主要業務

本公司為一間投資控股公司，其附屬公司主要從事設計及生產CNC工具機、設計及建造立體停車設備，以及設計及組裝叉車。

業務回顧

本集團截至二零一九年十二月三十一日止年度的業務回顧分別載於本年報第6至7頁之「主席報告」及第8至11頁之「管理層討論與分析」。

主要風險及不明朗因素

本集團可能面臨的潛在風險及不明朗因素的描述載於本年報第6至7頁的主席報告內。本集團的財務風險管理目標及政策載於綜合財務報表附註38。

環境政策

本集團不遺餘力貫徹環境保護政策，同時培養並提高僱員對環境保護的認知，落實綠色辦公室的理念，包括雙面打印及影印、推廣使用環保紙及關閉閒置照明及電子設備以降低本集團辦公室的能源消耗等。此外，本集團亦致力於使營運符合適用環境法律及法規，並已採取措施確保其營運所產生的任何廢料及副產品均得以妥善處理及棄置，以盡量減少對環境造成的不利影響。

管理層將不時檢討本集團的環保常規，並將考慮在營運中進一步實施對環境有益的措施及常規，以促進環境保護及可持續發展。

遵守相關法律及法規

於本年度內，就本公司董事（「董事」）所知，本集團並無涉及任何適用法律及法規之嚴重不合規而對其業務及營運產生重大影響。

與僱員、客戶及供應商的主要關係

董事會認同僱員為本集團的寶貴資產及取得成功的關鍵所在。本集團提供具競爭力的薪酬待遇以吸引、激勵並挽留僱員。此外，董事會亦定期審視給予僱員的薪酬待遇並作出必要調整，務求遵循現行市場慣例。

董事會同時重視與客戶及供應商保持良好關係，其對本集團實現長期目標至關重要。

於本年度內，本集團並無與集團公司及業務夥伴發生重大糾紛。

財政期後重要事項

財政期後至本報告日期之期間概無重要事項。

分類資料

本集團截至二零一九年十二月三十一日止年度按業務分類劃分之營業額及業績分析，載於綜合財務報表附註6B。

業績及分派

本集團截至二零一九年十二月三十一日止年度的溢利，以及本集團於該日的業務狀況載於綜合財務報表第71至167頁。

本公司董事（「董事」）不建議派發截至二零一九年十二月三十一日止年度末期股息。

儲備

年內本公司儲備之變動載於綜合財務報表附註44。

股東週年大會

股東週年大會將於二零二零年六月三十日（星期二）（「二零二零股東週年大會」）舉行。二零二零股東週年大會詳情載於二零二零年五月十五日之本公司通函、股東週年大會通告及委任代表表格，隨附於二零一九年年報寄發予本公司之股東（「股東」）。

物業、廠房及設備

年內本集團物業、廠房及設備變動詳情，載於綜合財務報表附註15。

股本

本公司截至二零一九年十二月三十一日止年度的股本變動詳情載於綜合財務報表附註27。

銀行借貸

本集團於二零一九年十二月三十一日之銀行借貸詳情，載於綜合財務報表附註31。

董事

年內及截至本報告日期止，董事如下：

執行董事

朱志洋先生(主席及行政總裁)

陳明河先生

溫吉堂先生

邱榮賢先生

獨立非執行董事

顧福身先生

余玉堂先生

高文誠先生(於二零二零年一月十日獲委任)

江俊德先生(於二零二零年一月十日辭任)

根據本公司之公司章程細則(「章程細則」)第87條，朱志洋先生及陳明河先生為自彼等上次重選連任起計任期最長之董事，將於二零二零股東週年大會上輪值退任，且符合資格並願意膺選連任。

根據章程細則第86(3)條，高文誠先生於二零二零年一月十日獲委任為新董事，將於二零二零股東週年大會上退任，且符合資格並願意膺選連任。

獨立確認書

本公司已根據香港聯合交易所有限公司（「聯交所」）證券上市規則（「《上市規則》」）第3.13條的規定接獲各獨立非執行董事發出的年度獨立確認書。本公司認為所有獨立非執行董事均為獨立人士。

董事認購股份或債券的權利

除於二零一六年六月二日採納之本公司購股權計劃外，於本年度內任何時間，任何董事或本公司高級行政人員、彼等各自之配偶或未滿18歲子女概無獲授可透過收購本公司股份或債券而獲益之任何權利，彼等亦無行使任何上述權利；本公司、其母公司、其附屬公司或同系附屬公司亦無訂立任何安排，使董事可透過收購本公司或任何其他法團之股份或債券以收購該等權利或利益。

董事的服務合約

每位執行董事已於二零一八年一月十一日與本公司簽訂服務協議，由二零一八年一月十一日起為期三年，並將於其後繼續，直至任何一方向另一方發出不少於三個月的書面通知或根據各自的服務協議所載條文予以終止為止。各執行董事或可酌情收取花紅，有關金額將參考本公司薪酬委員會的建議而釐定。

每位獨立非執行董事與本公司已訂立新的服務協議，由二零二零年一月十日開始，為期兩年，直至任何一方向另一方發出不少於三個月的書面通知予以終止為止。

本公司概無與任何擬於即將舉行的二零二零股東週年大會上膺選連任的董事訂立任何不可於一年內由本公司終止而毋須作出賠償（法定賠償除外）的服務合約。

董事於競爭業務中之權益

茲參照本公司日期為二零零五年十二月三十日之招股章程第94至106頁之相關披露及第105頁所載不競爭契約之詳情。於二零一九年十二月三十一日，董事及彼等各自之聯繫人（定義見《上市規則》）概無於與本集團於中國、香港及澳門之業務競爭或可能競爭之業務中擁有權益。

購股權計劃

本公司於二零一六年六月二日採納購股權計劃（「該計劃」），即於股東大會透過股東決議案採納計劃當日（「採納日期」）。該計劃旨在向合資格人士就提升日後對本集團貢獻及／或就其過去的貢獻給予獎勵，以吸引及挽留對本集團表現、增長或成功而言屬重要及／或其貢獻有利於或將有利於本集團表現、增長或成功的合資格人士或維持與彼等的持續關係，另外，倘屬行政人員（如下文所定義），則使本集團能夠吸引及挽留經驗與能力並重的個人及／或獎勵彼等過往的貢獻。該計劃之合資格人士包括本公司之執行董事、經理或其他擔任行政、管理、監督或類似職位之僱員（「行政人員」）、董事或獲提名董事（包括獨立非執行董事）、本集團任何成員公司之顧問、獨立於上述任何人士之人士及董事會可能不時批准之對本公司或本集團作出貢獻之有關其他人士。

該計劃之主要條款概述如下：

- (a) 於根據該計劃及本公司任何其他購股權計劃授出之所有購股權獲行使後可能發行之股份最高上限不得超過本公司於採納日期已發行股份數目之10%，即403,200,000股。除非已獲得股東之批准，惟上限不得超過本公司不時已發行股份總數之30%（或根據《上市規則》可能獲准之有關其他百分比）。

截至本報告日期止，因概無根據該計劃授出購股權，本公司有權授出購股權作認購總數合共最多為40,320,000股之股份，即該計劃下之未使用授權限額佔本公司股份於採納日期已發行股份之10%，及佔本公司於本報告日期止已發行股份約10%。

- (b) 於任何12個月期間根據該計劃或本公司所採納之任何其他購股權計劃授予每名合資格人士之購股權（包括已行使、已註銷及尚未行使之購股權）而已發行及將予發行之本公司股份之上限不得超過本公司已發行股份總數之1%。
- (c) 根據該計劃授出之購股權獲行使而發行之每股本公司股份之認購價，將由董事會釐定並於授出購股權時知會合資格人士，而認購價至少為以下之最高者：(i)在董事會批准授出購股權日期（必須為營業日）（「授出日期」）本公司股份在聯交所日報表所報之收市價；(ii)本公司股份於緊接授出日期前五個營業日在聯交所日報表所報之平均收市價；及(iii)本公司股份於授出日期之面值。
- (d) 購股權必須予以行使之期間將由本公司於授出購股權時指定。此期間之有效期不得超過有關授出日期起計10年。董事會亦可於購股權可獲行使期間對行使購股權制定限制。

- (e) 該計劃並無規定於購股權可行使前須持有購股權之最短期限或須達致之表現目標。
- (f) 於接納購股權時，承授人須於授出日期起計28日內向本公司支付1港元作為授出購股權之代價。
- (g) 該計劃將由該計劃之先決條件獲達成當日起計10年期間內有效及生效，即二零一六年六月二日。

本公司自採納該計劃以來並無授出任何購股權。

董事的股份權益

於二零一九年十二月三十一日，董事或最高行政人員於本公司或任何相聯法團（定義見證券及期貨條例（「證券及期貨條例」）第XV部）的股份、相關股份及債券中，擁有根據證券及期貨條例第352條須存置的本公司登記冊所記錄，或根據上市公司董事進行證券交易的標準守則（「標準守則」）須知會本公司及聯交所的權益或淡倉如下：

1(a). 於本公司的股份、相關股份及債券之好倉

董事姓名	權益性質	證券數目及類別	持股量概約 百分比
朱志洋先生	公司權益	20,000,000股	4.96%

附註： 該20,000,000股股份由朱志洋先生持有約72.22%權益之公司金日環球投資有限公司實益擁有。

1(b). 於本公司之相聯法團的股份、相關股份及債券的好倉總額

董事姓名	相聯團名稱	權益性質	證券數目及類別	持股概約百分比
朱志洋先生	友嘉實業股份有限公司 (「友嘉實業」)	實益擁有人	15,527,255股 普通股股份	15.16%
	友嘉實業	配偶權益 (附註1)	2,540,969股 普通股股份	2.48%
	Fair Fine (Hangzhou) Industrial Co., Ltd. (附註2)	實益擁有人	750股 普通股股份	0.03%

附註：

1. 朱志洋先生之配偶王紫緹女士(前稱王錦足)(「王女士」)持有友嘉實業已發行股本2.48%，故根據證券及期貨條例，朱志洋先生被視為於王女士所持有的友嘉實業所有股份中擁有權益。
2. Fair Fine (Hangzhou) Industrial Co., Ltd.為友嘉實業的非全資附屬公司，故根據證券及期貨條例為本公司的相聯法團。

除上文所披露者外，於二零一九年十二月三十一日，董事或本公司高級行政人員概無於本公司或其任何相聯法團(定義見證券及期貨條例第XV部)的股份、相關股份或債券中擁有須記入根據證券及期貨條例第352條規定須存置的登記冊，或根據標準守則須知會本公司及聯交所的任何權益。

2. 於本公司及其相聯法團的股份、相關股份及債券中的淡倉總額

於二零一九年十二月三十一日，董事或本公司高級行政人員概無於本公司或其相聯法團的股份、相關股份或債券中擁有須記入根據證券及期貨條例第352條規定須存置的登記冊或根據標準守則須知會本公司及聯交所的任何淡倉。

主要股東

於二零一九年十二月三十一日，每位人士（董事或本公司高級行政人員除外）於本公司股份及相關股份中擁有根據證券及期貨條例第336條須予存置的登記冊所記錄的權益或淡倉如下：

於本公司股份及相關股份的好倉總額

股東名稱	權益性質	所持普通股數目	約佔本公司 已發行股本的 百分比
友佳實業（香港）有限公司 （「友佳實業香港」）	實益擁有人	232,000,000股股份 （附註）	57.56%
友嘉實業	受控制公司的權益	232,208,000股股份 （附註）	57.61%

附註：友嘉實業擁有友佳實業香港約99.99%權益，故根據證券及期貨條例，友嘉實業被視為於友佳實業香港所持有的232,000,000股本公司股份中擁有權益。

除上文所披露者外，於二零一九年十二月三十一日，根據證券及期貨條例第336條規定須予存置的本公司登記冊所記錄，並無其他人士於本公司股份或相關股份中擁有權益或淡倉。

董事進行證券交易之標準守則

本公司已採納《上市規則》附錄十所載的標準守則。經本公司作出查詢後，所有董事已確認於截至二零一九年十二月三十一日止年度，其已遵守標準守則所載有關董事進行證券交易的標準規定。

薪酬政策

本公司成立薪酬委員會旨在根據本集團之經營業績、個人表現及比較之市場慣例，檢討本集團之薪酬政策及全體董事及高級管理層之薪酬架構。

本公司已採納一項購股權計劃，作為對董事及合資格僱員之獎勵，該計劃詳情載於上述購股權計劃內。

董事及五位最高薪人士之酬金

董事及本集團五位最高薪人士之酬金詳情載於綜合財務報表附註9。

關連人士交易及關連交易

關連年度關連人士交易之詳情載於綜合財務報表附註40。關連年度所有於《上市規則》第14A.73條項下屬不獲完全豁免之關連交易或持續關連交易之關連人士交易之詳情已在下列披露。本集團已就該等交易遵守《上市規則》第14A章所載之要求。

不獲豁免關連交易

誠如二零一九年六月六日之本公司公告所載，於二零一九年六月三日，本公司與Siemens Aktiengesellschaft（「Siemens」）訂立（其中包括）擔保（「擔保」），就FFG Werke GmbH（「FFG Werke」）及其附屬公司於彼等與Siemens之採購合約項下的任何未償還付款義務提供予Siemens最多2,000,000歐元擔保，擔保期限為自二零一九年六月三日起至二零二一年十二月三十一日止（除非Siemens提前終止）。

由於友嘉實業為本公司控股股東友佳實業香港之控股公司，故根據《上市規則》，友嘉實業為本公司之聯繫人及關連人士。由於本公司及友嘉實業分別間接持有FFG Werke之股權約39%及10%，故根據上市規則第14A章，FFG Werke構成一間共同持有的實體。關連FFG Werke擔保的最高適用百分比率為0.1%以上但少於5%，FFG Werke擔保構成本公司的一項關連交易，因此須遵守上市規則第14A章項下的申報及公佈規定，惟獲豁免遵守獨立股東批准規定。

不獲豁免持續關連交易

誠如二零一七年五月二十六日之本公司公告及二零一七年六月二十七日之本公司通函所載，本公司已於二零一七年五月二十六日與友嘉實業訂立：(a) 零部件協議（「零部件協議」），據此，由二零一七年七月十三日起三年，本集團（及／或其指定允許公司）（「本公司關連方」）同意向友嘉實業及其附屬公司（及／或其指定允許公司）（「友嘉關連方」）供應CKD零部件，而友嘉關連方同意向本公司關連方供應CKD零部件；及(b) 工具機協議（「工具機協議」），據此，由二零一七年七月十三日起三年，本公司關連方可向友嘉關連方購買指定CNC工具機，並有權於中國、香港及澳門特別行政區（「銷售地區」）以獨家形式銷售指定CNC工具機，及友嘉關連方須授權本公司關連方於銷售地區以獨家形式銷售指定CNC工具機。

由於友嘉實業為本公司控股股東友佳實業香港之控股公司，故根據《上市規則》，友嘉實業為本公司之聯繫人及關連人士。零部件協議及工具機協議項下之交易分別構成本公司之持續關連交易，須遵守《上市規則》第14A章項下的申報、公佈、取得獨立股東批准及年度審核之規定。

批准零部件協議及工具機協議、其項下擬進行之交易及關連年度上限的決議案已於二零一七年七月十三日之股東特別大會上獲獨立股東通過。根據零部件協議，於二零一九年一月一日至二零一九年十二月三十一日期間本公司關連方向友嘉關連方供應CKD零部件及本公司關連方向友嘉關連方購買CKD零部件之年度上限分別為人民幣3,850,000元及人民幣114,030,000元，該期間並無實際供貨而實際購買金額為人民幣38,610,000元。而根據工具機協議，於二零一九年一月一日至二零一九年十二月三十一日期間本公司關連方向友嘉關連方購買CNC工具機之年度上限為人民幣809,090,000元，實際購買金額為人民幣5,780,000元。

獨立非執行董事已審閱零部件協議及工具機協議及其項下於本年度進行之交易並確定關連交易於所有重大方面：

- (i) 按本集團一般及正常業務訂立；
- (ii) 以一般商業條款進行；及
- (iii) 根據零部件協議及工具機協議之相關條款進行，乃公平及合理並符合股東整體利益。

本公司之核數師已就其審查結果向董事會發出了一份報告，確認關連《上市規則》第14A.56條要求之事項。

優先購買權

章程細則或開曼群島（為本公司註冊成立之司法管轄區）法例均無規定本公司須按比例向現有股東提呈發售新股份之優先購買權條文。

購買、贖回或出售本公司上市證券

年內，本公司以總代價約113,800港元於聯交所購買合共126,000股本公司股份，全數126,000股已購回的股份已在交付股票時註銷。董事會認為進行購回以增加股東價值。購回的詳情如下：

月份	股份總數	所付每股 最高價 港元	所付每股 最低價 港元	總代價約 港元
二零一九年七月	126,000	0.91	0.88	113,038.00

除上文所披露外，於回顧年度，概無本公司或其任何附屬公司購買、出售或贖回本公司的已上市證券。

主要客戶及供應商

年內，本集團首五大客戶佔本集團總營業額約13.65%，而最大客戶佔本集團總營業額約7.22%。五大供應商於本年度佔本集團總採購額約28.25%，而最大供應商約佔本集團總採購額約15.28%。

概無董事或其聯繫人於任何上述客戶或供應商持有權益。

於本年度，就本公司董事所知，除友佳實業香港為本集團上述五大供應商之外，並沒有擁有5%以上本公司股份之股東於上述本集團之客戶或供應商持有任何權益。

足夠公眾持股量

根據本公司公開所得的資料及就本公司董事所知，於本報告日期，本公司已發行股本之最少25%由公眾股東持有。

准許的彌償

章程細則規定，本公司須以本公司之資金，就董事因有關本公司之民事或刑事法律程序中進行辯護所招致之法律責任並獲判勝訴或獲判無罪作出彌償。此外，本公司已為董事及本公司之高級管理人員投購責任保險，為若干針對董事及高級管理人員而作出之法律訴訟提供合適之保額。

股票掛鈎協議

除在上述標題「購股權計劃」所披露的該計劃外，本公司於本年度終結日或年內任何時間概無訂立任何股票掛鈎協議。

董事於交易、安排或合約之權益

除綜合財務報表附註40所載者外，董事或其有關連實體並無在本公司、其母公司、其附屬公司或同系附屬公司所訂立，且於年結日或本年度內任何時間存在之重大交易、安排或合約上，直接或間接擁有重大權益。

審核委員會及年度業績審閱

本公司成立審核委員會（「審核委員會」），其書面職權範圍符合企業管治守則的規定。審核委員會的職責包括檢討及監管本集團的財務匯報程序、風險管理及內部監控系統。審核委員會的現有成員包括三位獨立非執行董事，即顧福身先生（擔任主席）、余玉堂先生及高文誠先生*。審核委員會已與管理層共同審閱本集團截至二零一九年十二月三十一日止年度的綜合財務報表。

企業管治

有關本公司所採納的主要企業管治常規之報告，載於第26至40頁。

五年財務概要

本集團過往五個財政年度的業績及資產與負債的概要載於第168頁。

核數師

羅申美會計師事務所（「羅申美」）已於二零一九年十月二十五日獲董事會委任為本公司核數師，以填補德勤•關黃陳方會計師行於二零一九年十月二十四日辭任後之臨時空缺，任期至本公司應屆二零二零股東週年大會結束時止。而本公司將於應屆二零二零股東週年大會上提呈續聘羅申美為本公司核數師的決議案。

除以上所述者外，本公司之核數師於過往三年並無其他變動。

截至二零一九年十二月三十一日止年度之綜合財務報表已由羅申美審核。

承董事會命

友佳國際控股有限公司

主席

朱志洋

香港，二零二零年三月三十一日

* 於二零二零年一月十日，江俊德先生辭任為獨立非執行董事及高文誠先生獲委任為獨立非執行董事。

本公司致力維持良好之企業管治標準，並透過鞏固有效的架構，提倡資料披露之完整性、透明度及質素，藉以提高股東價值。

遵守企業管治守則

本公司已採納其企業管治常規，取自於香港聯合交易所有限公司（「聯交所」）證券上市規則（「《上市規則》」）附錄十四所載的企業管治守則（「《企業管治守則》」）的守則條文，並進行檢討及定期更新，以遵循企業管治之最新常規。於回顧年度內，本公司一直遵守《企業管治守則》所載之守則條文，惟偏離《企業管治守則》如下：

守則條文第E.1.2條規定董事會主席應出席股東週年大會。本公司董事會（「董事會」）主席朱志洋先生因公務出差而未能出席二零一九年六月五日舉行之本公司股東週年大會，根據本公司章程細則（「章程細則」），由本公司執行董事（「董事」）邱榮賢先生擔任股東週年大會主席。

守則條文第A.2.1條規定主席與行政總裁之角色應有區分，並不應由一人同時兼任。本公司當時的行政總裁及執行董事陳向榮先生於二零一八年十一月八日離世。董事會主席朱志洋先生於二零一八年十二月七日獲委任為行政總裁。儘管此兩角色均由同一位人士所擔任，其部份責任由其他執行董事分擔以平衡權力。此外，所有重大決定均經由董事會及高級管理層商議後才作出。另董事會包含三位獨立非執行董事，彼等帶來不同獨立之觀點。因此，董事會認為已具備足夠的權力平衡及保障。董事會將定期進行檢討及監督，確保目前結構不會削弱本公司的權力平衡。

董事進行證券交易

本公司已採納《上市規則》附錄十所載的有關董事進行證券交易的標準守則（「標準守則」）。經本公司作出查詢後，所有董事已確認於截至二零一九年十二月三十一日止年度，其已遵守標準守則所載有關董事進行證券交易的標準規定。

董事會

董事會負責領導及監控本公司，並負責監管本集團之預算、主要政策及重大交易、財務業績、業務、策略方針及表現。董事會亦下放權力及責任予管理層，以便日常管理本集團。此外，董事會亦將各種職責分派至以下董事會轄下各委員會。該等委員會之詳情載於本報告內。

董事會現時由七位董事組成，分別為四位執行董事及三位獨立非執行董事：

執行董事

朱志洋先生 (主席及行政總裁)

陳明河先生

溫吉堂先生

邱榮賢先生

獨立非執行董事

顧福身先生

余玉堂先生

高文誠先生 (自二零二零年一月十日獲委任)

江俊德先生 (自二零二零年一月十日辭任)

董事會以均衡之架構組成，目的在確保整個董事會擁有穩固之獨立客觀性，其組成情況符合《企業管治守則》所推薦董事會成員最少須有三分之一為獨立非執行董事之做法。各董事履歷載於第12至13頁之「董事及高級管理人員的履歷詳情」一節。

董事均有足夠時間及精神以處理本集團的事務。董事每年向本公司披露其於公眾公司或組織擔任職位的數目及性質，以及其他重大承擔的職務。董事會認為執行董事及獨立非執行董事組合之比例合理及適當，並充分發揮制衡作用，以保障本公司股東（「股東」）及本集團之利益。

主席及行政總裁

主席負責領導董事會、本集團之策略規劃。本公司行政總裁負責本集團之業務的日常管理。

本公司當時的行政總裁及執行董事陳向榮先生於二零一八年十一月八日離世。董事會主席朱志洋先生於二零一八年十二月七日獲委任為本公司行政總裁。

董事會主席及本公司行政總裁之職位由二零一八年十二月七日起已由同一名人士擔任。

獨立非執行董事

三名擔任非執行董事的董事皆為獨立，並獲委任為獨立非執行董事。

三位獨立非執行董事均極具才幹，在會計及金融各範疇亦擁有學術及專業資格。加上他們在各行業所累積之經驗，對董事會有效地履行其職責方面提供強大的支持。其中顧福身先生擁有《上市規則》第3.10(2)條規定之適合專業資格及會計及有關財務專業知識。各獨立非執行董事已向本公司發出年度獨立確認書，而本公司認為彼等各自均屬《上市規則》第3.13條項下之獨立人士。

三位獨立非執行董事之特定任期為兩年，並須根據章程細則之規定最少每三年輪值告退一次。

董事會的職責

董事會制定企業策略、批核整體業務計劃以及評估本公司之財務表現及管理。董事會授權本集團管理層進行之具體工作，包括執行董事會批准之策略；監察經營預算；執行內部監控程序；以及確保本集團符合有關法定要求及其他規則及規例。

企業管治職能

董事會亦負責履行下列企業管治職責：

1. 制定及檢討本公司之企業管治政策及常規，並且提出建議；
2. 檢討及監察董事及高級管理人員之培訓及持續專業發展；
3. 檢討及監察本公司在遵守法律及監管規定方面之政策及常規；
4. 制定、檢討及監察僱員及董事之操守準則及合規手冊（如有）；及
5. 根據《上市規則》附錄十四檢討本公司遵守《企業管治守則》之情況及在企業管治報告書內之披露。

於回顧年度內，董事會已履行上述職責。

董事培訓

根據董事們向本公司提供的培訓紀錄，於二零一九年董事有參與以下培訓：

董事	培訓類型
執行董事	
朱志洋	A, B
陳明河	A, B
溫吉堂	A, B
邱榮賢	A, B
獨立非執行董事	
顧福身	A, B
余玉堂	A, B
江俊德(自二零二零年一月十日辭任)	A, B

A： 出席研究會及／或會議／或論壇

B： 閱讀資訊、報紙、雜誌和有關董事責任、經濟、金融、投資及本公司業務之資料

董事會會議次數及出席率

董事會每年最少舉行四次定期會議，並在有需要的情況下舉行會議。於截至二零一九年十二月三十一日止年度，董事會共舉行四次會議，以下董事之出席率如下：

董事	出席率
朱志洋先生	4/4
陳明河先生	2/4
溫吉堂先生	2/4
邱榮賢先生	4/4
顧福身先生	4/4
余玉堂先生	4/4
江俊德先生(自二零二零年一月十日辭任)	2/4

董事已於每次董事會會議前收到會議的正式通知書、議程及會議材料之詳情。

董事會會議記錄由公司秘書保存，並可供董事查閱。每位董事會成員均有權查閱董事會文件及相關資料，並可隨時獲公司秘書提供意見及服務，以及於有需要時尋求外部專業意見。

本公司已就針對董事之相關法律行動，安排適當之保險保障。

審核委員會

本公司已成立審核委員會（「審核委員會」），並遵循《企業管治守則》以書面制訂職權範圍書。審核委員會由三位獨立非執行董事組成，即顧福身先生（擔任主席）、余玉堂先生及高文誠先生*。

審核委員會旨在監控健全的內部監控系統的成立並維持該系統，並遵循此系統。

審核委員會主要負責就外聘核數師之委任、重聘及罷免向董事會作出建議，並審批外聘核數師之酬金及聘任條款，以及與該等核數師之辭任或罷免有關之任何事宜；審閱中期報告及年報和本集團賬目；以及監察財務申報及本集團風險管理及內部監控系統是否有效。審核委員會已於本年度履行其職責並審閱本公司截至二零一九年六月三十日止六個月之未經審核財務報表。審核委員會亦已審閱截至二零一九年十二月三十一日止年度之經審核財務報表。

本公司即將於二零二零年六月三十日（「星期二」）舉行股東週年大會（「二零二零股東週年大會」）。審核委員會已向董事會建議，於二零二零股東週年大會上提名執業會計師羅申美會計師事務所（已於二零一九年十月二十五日獲委任為本集團之核數師以填補德勤•關黃陳方會計師行辭任後之臨時空缺）續任為本公司之核數師。

會議次數及出席率

於二零一九年年度，審核委員會會面三次，本公司管理層及外聘核數師在合適情況下均有出席。有關審核委員會成員的會議出席詳情載列如下：

成員姓名	出席率
顧福身先生	3/3
余玉堂先生	3/3
江俊德先生（自二零二零年一月十日辭任）	1/3

* 於二零二零年一月十日獲委任

董事提名

在考慮提名新董事時，董事會將考慮候選人之資歷、能力、工作經驗、領導能力及專業道德，尤其是彼等於機械工程行業及／或其他專業範疇之經驗。

本公司已成立提名委員會（「提名委員會」），並遵循《企業管治守則》以書面制訂職權範圍書，成員包括三位獨立非執行董事，分別為顧福身先生（擔任主席）、余玉堂先生及高文誠先生*。

提名委員會之功能為檢討及監督董事會之架構、規模及組成；物色合資格人士出任董事會成員；評估獨立非執行董事之獨立性，以及向董事會就委任及重選董事作出推薦建議。

年內，提名委員會召開了一次會議，審議及考慮高文誠先生的背景，並建議董事會考慮委任高文誠先生為獨立非執行董事，以填補江俊德先生於二零二零年一月十日辭任獨立非執行董事後的空缺。提名委員會亦認為現有董事會規模足以應付現時運作。此外，提名委員會已審閱及確信所有獨立非執行董事之獨立性。

根據章程細則，三分之一董事將於本公司應屆二零二零股東週年大會上退任。根據本公司之公司章程細則（「章程細則」）第87條，朱志洋先生及陳明河先生為自彼等上次重選連任起計任期最長之董事，將於二零二零股東週年大會上輪值退任，且符合資格並願意膺選連任。

根據章程細則第86(3)條，高文誠先生於二零二零年一月十日獲委任為新董事，將於二零二零股東週年大會上退任，且符合資格並願意膺選連任。

會議次數及出席紀錄

提名委員會於截至二零一九年十二月三十一日止年度舉行一次會議，其出席詳情如下：

成員姓名	出席率
顧福身先生	1/1
余玉堂先生	1/1
江俊德先生（自二零二零年一月十日辭任）	0/1

* 於二零二零年一月十日獲委任

董事會成員多元化政策

本公司於二零一三年八月訂立董事會成員多元化政策，目的是為董事會成員的多元化訂立方向。

董事會明白一個多元化的董事會對於提高董事會效率及企業管治的重要性。多元化的董事會包括善用董事的不同技能、行業知識和經驗、教育、背景和其他素質，而不會產生基於種族、年齡、性別或宗教的歧視。在決定最佳董事會組合時會考慮該等因素，並盡可能取得適當的平衡。

本公司提名委員會負責物色及提名董事候選人予董事會批准；負責董事會所需的適當組合和評估董事候選人的經驗、專業知識、技能和董事會所需的多元化因素；以及監督董事會的繼任。提名委員會負責審查及向董事會報告有關董事會成員的多元化事宜。

董事的任命將根據候選人的優點及其他客觀標準作出，充分考慮該等因素對於董事會成員多元化的好處。候選人加入董事會時，會按照候選人所需的知識、經驗、技能、教育背景及其他素質來考慮。最終的決定將會取決於候選人的優點和將會為董事會作出的貢獻。

目前，提名委員會尚未就實踐董事會成員多元化政策而訂定任何可計量目標。然而，提名委員會將會不時考慮及檢討董事會成員多元化政策以及訂定任何可計量目標。

提名政策

年內，董事會採納一項提名政策，其列舉了委任及重選董事時應考慮的標準及程序。

提名委員會在評估擬候選人時將考慮以下因素：

- 品格和誠信；
- 資格包括與公司業務和公司戰略相關的專業資格、技能、知識和經驗；
- 作為董事會成員，願意投入足夠的時間履行職責；
- 董事會多元化政策以及為實現董事會多元化而採取的任何可衡量的目標；
- 獨立董事候選人之要求；
- 適用於公司業務或董事會建議的其他觀點。

此外，應採立之提名程序如下：

1. 提名委員會定期檢討董事會的架構、規模及組成（包括技能、知識及經驗），並就董事會的任何建議變更提出建議，以補充本公司的企業策略；
2. 當有必要填補因空缺或委任額外董事時，提名委員會根據上述所載的準則下，在外部機構或本公司的協助或非協助下，向委員會確定或選擇候選人；
3. 如果該流程產生一個或多個理想的候選人，提名委員會應根據公司的需要和每個候選人的參考檢查（如適用）按優先順序對其進行排名；
4. 提名委員會向董事會提出建議，包括委任的條款及條件；
5. 董事會根據提名委員會的建議審議並決定任命；

股息政策

根據開曼群島公司法及章程細則，股息可從本公司的利潤中支付，或以本公司的償付能力支付，而不計入本公司的股份溢價賬的信貸款項。然而，任何股息均不得超過董事建議的金額。

本公司股息支付的聲明及建議須待董事批准後，視乎營運業績、營運資金、財務狀況、未來前景及資本要求以及董事不時考慮的任何其他因素而定。本公司日後之任何聲明、推薦及派付股息可能會或可能不會反映股息的歷史聲明及分派，並由董事全權酌情決定。本公司沒有任何預定的派息率。

董事薪酬

本公司已成立薪酬委員會（「薪酬委員會」），並遵循《企業管治守則》以書面制訂職權範圍書，成員包括三位獨立非執行董事，分別為顧福身先生（擔任主席），余玉堂先生及高文誠先生*。

薪酬委員會之功能為制定及檢討董事及高級管理層之薪酬政策及架構。

會議次數及出席紀錄

薪酬委員會於截至二零一九年十二月三十一日止年度舉行一次會議以審閱本公司各董事及高級管理層的現有薪酬，其出席詳情如下：

成員姓名	出席率
顧福身先生	1/1
余玉堂先生	1/1
江俊德先生（自二零二零年一月十日辭任）	0/1

薪酬政策

薪酬委員會根據僱員之貢獻、資格及能力決定本集團僱員之薪酬政策。

薪酬委員會根據本公司以往業績、董事個別表現及可比較之市場數據決定董事之薪酬。每名執行董事有權分別支取每年審核之底薪。有關董事薪酬詳情載於綜合財務表附註9。

本公司於二零一六年六月二日採納一項購股權計劃，有效期為10年至二零二六年六月一日。購股權計劃目的讓董事會向特選之合資格人士授出購股權，以鼓勵及致力提升彼等之日後貢獻，以符合本集團利益。購股權計劃之詳情載於「董事會報告」內之「購股權計劃」。

* 於二零二零年一月十日獲委任

高級管理人員之薪酬

按等級劃分，高級管理人員於截至二零一九年十二月三十一日止年度之薪酬載列如下：

薪酬等級（港元）	人數
少於1,000,000元	3
1,000,001元至1,500,000元	1

根據《上市規則》附錄十六所披露有關董事薪酬及五位最高薪僱員之進一步詳情分別載於財務報表註釋9(a)及9(b)。

公司秘書

本公司從外部秘書服務供應商聘請及委任其代表羅泰安先生為本公司之公司秘書。本公司公司秘書之主要聯絡人為本公司之財務總監葉世強先生。羅先生已完全符合《上市規則》第3.29條之相關培訓規定。

組織章程文件

於回顧年度內，本公司之組織章程文件並無任何變動。

核數師酬金

就回顧年度，支付予／應付予本公司現任核數師羅申美會計師事務所之酬金載列如下：

向本集團提供的服務	已付／應付費用 千港元
核數服務	1,500
非核數服務	120

於回顧年度內，支付予／應付予本公司前任核數師德勤•關黃陳方會計師行之酬金載列如下：

向本集團提供的服務	已付／應付費用 千港元
核數服務	0
非核數服務	400

風險管理及內部監控

董事會確認其就本集團風險管理及內部監控系統應承擔的責任，並已按照《企業管治守則》第C.2段的要求建立了風險管理及內部監控系統，並持續監督和檢討其運行的有效性。該系統旨在管理未能達成業務目標的風險，促進有效及高效運營，合理保證財務報告可靠性及遵守適用法律及法規以及保障本集團資產。然而該系統乃旨在控制而非消除未能達成業務目標之風險，並僅可為重大錯誤陳述或虧損提供合理而非絕對的保證。

風險管理和內部監控組織體系特點

根據《企業管治守則》第C.2.2條的要求，為確保本公司在風險管理和內部審核方面具備足夠的資源、員工資歷及經驗、足夠的培訓課程和有關預算，本公司建立了完善的風險管理和內部監控組織體系，包括董事會轄下審核委員會、高級管理層、本公司各部門。本公司各部門為風險管理和內部監控第一道防線；本公司高級管理層為風險管理和內部監控第二道防線；董事會轄下審核委員會為風險管理和內部監控第三道防線。審核委員會及董事會為本公司風險管理和內部監控的最高決策機構。

內部審計工作

鑑於公司的規模、性質及業務的複雜情況，公司審核委員會負責內部控制的建立健全和有效實施；每年公司聘請外部第三方機構根據年度風險評估結果確定年度內部控制復核工作範圍，並根據公司實際情況開展內部控制復核工作。

風險管理和內部監控工作開展

本公司每年對風險管理及內部監控系統的有效性進行檢討，根據內部環境、風險評估、控制活動、信息與溝通及內部監督的五項內部監控元素，對所有重要的監控方面，包括財務監控、運作監控及合規監控等進行評估。

二零一九年本公司圍繞總體經營目標，通過在其管理的各個環節和經營過程中執行風險管理的基本流程，逐步建立了風險管理體系，從本公司層面和經營層面全面處理和識別了可能面臨的風險，形成了本公司特有的系統完善的風險庫和風險框架，作為風險管理和內部控制的基礎。

本公司高級管理層組織各風險責任部門從風險發生的可能性和影響程度兩方面，對風險識別結果進行了綜合和深入分析，評估出本公司面臨的重大風險，並針對重大風險進行專項深入應對，制定了重大風險應對方案。重大風險應對方案由高級管理層審核，經審核委員會審議及董事會批准後實施。

風險管理和內部監控長效機制形成

二零一九年，本公司在充分識別和評估風險的基礎上，通過具體的業務流程落實內部控制的基本風險應對手段，建立了財務報告編製與披露重要流程的管理程序和內部監控措施，並最終通過《風險管理制度》固化風險管理的長效機制。相關流程管理程序、內部監控措施以及《風險管理制度》經高級管理層審批通過，並簽發執行。

《風險管理制度》明確了風險管理的總體目標和基本原則、風險管理職責分工和彙報途徑、風險管理方法論、風險管理主要工作內容及日常工作事項。該制度要求，高級管理層每年組織開展風險管理工作，持續監控各風險責任部門經營管理中存在的重大風險和風險變化信息，並編製《風險清單及風險管理框架》上報高級管理層和審核委員會，彙報各風險責任部門風險管理框架和組織體系建設、風險預警機制、本年度風險信息識別、評估方法和結果，需要協調解決的資源和事項等。

《風險管理制度》規定，高級管理層定期或不定期（至少每年一次）對各部門能否按照有關規定開展風險管理工作及其工作效果進行監督評價，形成《風險彙總評估報告》，對風險管理工作實施的有效性提出改進建議。相關部門須針對改進建議制定具體整改方案，並為每個任務指定明確的整改執行人和預期整改完成時間。高級管理層持續監控整改的執行情況。《風險彙總評估報告》直接報送高級管理層和董事會轄下的審核委員會。

二零一九年風險管理和內部監控工作開展的結果表明，本公司不存在重大風險監控嚴重失誤的情形，也未發現重大風險監控弱項。本公司財務報告、信息披露等管理流程嚴格遵守《上市規則》的規定，董事會評估公司的風險管理和內部監控工作運行有效。

年內，董事會亦已更新及確保本公司負責會計及財務申報職能之員工具備足夠資源、資歷及經驗以及獲提供充足培訓計劃及預算費用。

處理及發佈內幕消息的程序和內部監控措施

董事會已制定有關處理及發佈內幕消息的內幕消息政策。內幕消息政策訂明本集團之責任、共享非公開資料之限制、謠言之處理、非故意之選擇性披露、豁免及免除內幕消息之披露、對外通訊與溝通指引以及遵守及報告程序。本公司管理層須不時採取一切合理措施，確保已有恰當程序預防本公司違反有關的披露規定。彼等必須即時知會財務總監任何可能涉及透露或洩漏內幕消息的事宜，而財務總監將於合理切實可行情況下盡快通知董事會，從而迅速採取適當行動。如有證據顯示嚴重違反有關內幕消息政策，董事會將決定或指派適當人士決定有關糾正問題之行動及避免重蹈覆轍。

董事對財務報表之責任

董事會肩負於每個財政期間編製本公司賬目之職責，該等賬目可真實公平地反映本集團業務狀況及該期間之業績及現金流量。編製截至二零一九年十二月三十一日止年度之財務報表時，董事會已揀選及貫徹應用合適會計政策；作出審慎、公平及合理之判斷及估計，並採納持續經營基準編製有關賬目。董事會負責採取一切合理所需步驟保障本集團資產，並且防止及偵查欺詐及其他不正常情況。

與股東通訊及投資者關係

董事會深明與股東保持良好溝通尤關重要。有關本集團之資料（包括本公司之中期報告及年報、公佈及通函等）均會適時透過多種正式途徑向股東傳達。

本公司之股東大會為董事會與股東直接溝通之寶貴機會。公司鼓勵股東出席本公司之股東大會。

本公司於二零一九年六月五日舉行股東週年大會（「二零一九股東週年大會」）。召開二零一九股東週年大會之通告乃載於日期為二零一九年四月二十九日之通函，並連同二零一八年年報一併寄發予股東。董事會主席因出差而無法參加二零一九股東週年大會。執行董事邱榮賢先生出席及主持二零一九股東週年大會。其他董事因各人之其他事務未能出席二零一九股東週年大會。

主席於二零一九股東週年大會上就進行投票表決之程序作出詳盡解釋。於二零一九股東週年大會上提呈之所有決議案，均已個別獲股東以按股數投票表決方式通過。投票表決結果已於會後在香港交易及結算所有限公司（「港交所」）及本公司網站公佈。

召開二零二零股東週年大會之通告將根據章程細則及《企業管治守則》在可行情況下盡快登載於港交所及本公司網站，並且連同二零一九年年報寄發予股東。

本公司致力加強與其投資者的溝通及關係。指定高級管理人員經常與機構投資者及分析員公開交流，以簡報本公司的發展。

本公司亦設有網站www.goodfriend.hk，刊載本公司的最新業務發展和營運、財務資料及消息。

股東可隨時透過公司秘書向董事會提出書面查詢及關注，公司秘書的聯絡詳情如下：

香港德輔道中317至319號
啟德商業大廈20樓2003室
傳真：(852) 3586 2620
電郵：investor@goodfriend.hk

股東的權利

本公司的股東大會提供機會讓股東與董事會交流。本公司每年須於董事會決定的地點舉行股東週年大會。股東週年大會以外的每個股東大會須稱為股東特別大會（「股東特別大會」）。有關程序須受章程細則及適用法例和規則所規限。

股東召開股東特別大會的程序：

於遞呈要求日期持有本公司繳足股本（附有權利於本公司股東大會上投票）不少於十分之一的任何一名或以上股東，於任何時候均有權向本公司董事會或秘書發出書面要求，要求董事會召開股東特別大會，以處理有關要求中列明的任何事務；且有關大會須於遞呈該項要求後的兩(2)個月內舉行。

書面要求必須列明大會目的、由提出要求人士簽署及送呈至本公司的香港主要營業地點或本公司的註冊辦事處，註明收件人為本公司董事會或秘書，並且可由有關要求人士各自簽署的一式多份文件組成。有關要求將由本公司的香港股份過戶登記分處核實，待其確認要求屬妥當後，本公司的秘書將促請董事會考慮召開股東特別大會。相反，如有關要求經核實為不妥當，有關要求人士將獲告知有關結果，亦因此不會召開股東特別大會。

有關要求人士召開的任何會議，應與由董事會召開的會議之召開方法相同。

於股東大會上提出議案的程序

如欲於本公司的股東大會上提出議案，股東應在有足夠的前置時間下，將已由有關股東正式簽署及載列有關要求的書面資料，遞交至本公司的香港主要營業地點，註明收件人為本公司董事會及秘書。有關要求將由本公司的香港股份過戶登記分處核實，待其確認要求屬妥當後，本公司的秘書將把有關要求轉交董事會。會否在股東大會上提呈有關議案將由董事會酌情決定。

股東提議某人士獲選為董事的程序，刊載於本公司的網站www.goodfriend.hk。

核數師聲明

本公司之核數師於本集團截至二零一九年十二月三十一日止年度之財務報表之核數師報告內確認彼等所承擔之責任。

香港，二零二零年三月三十一日

環境、社會及管治報告

關於本報告

友佳國際控股有限公司（「本公司」，連同其附屬公司，以下簡稱「本集團」，或「我們」）根據香港聯合交易所有限公司（「聯交所」）證券上市規則（「主板上市規則」）附錄二十七所載之《環境、社會及管治報告指引》（「ESG指引」）謹此呈報截至2019年12月31日止財政年度（「2019財政年度」）的年度環境、社會及管治（「ESG」）報告。本公司已遵照ESG報告指引所載之「不遵守就解釋」條文。對本報告進行閱讀時，應一併細閱本公司2019年年報第26頁的《企業管治報告》。

ESG報告關注本集團的主要業務活動。經綜合考慮銷售額、業務類型、利潤額、資產額等一系列指標，ESG報告的範圍與過往截至2018年12月31日止財政年度（「2018財政年度」）的ESG報告一致，將覆蓋以下位於中華人民共和國（「中國」）的實體：杭州友佳精密機械有限公司、杭州友高精密機械有限公司、杭州友華精密機械有限公司及杭州友達機械科技有限公司。儘管ESG報告未能覆蓋本集團全部的營運活動，本集團旨在完善內部數據收集機制，並逐步擴大披露範圍。

ESG報告乃以中、英文兩種語言編製，並於聯交所網站(www.hkexnews.hk)及本公司網站(<http://www.goodfriend.hk>)刊發。如中、英文兩個版本有任何抵觸或不相符之處，應以英文版為準。

公司董事（「董事」）會（「董事會」）負責我們的ESG的策略及報告，包括評估及確定相關的風險，並確保已設有適當的風險管理和內部監控系統。我們已委任我們的業務職能部門透過檢討本公司的營運、舉行內部討論，以識別相關ESG事宜及評估有關事宜對我們的業務及利益相關方的重要性。管理層已對ESG風險管理和內部監控系統的有效性向董事會做出確認。

重大議題選擇

利益相關方溝通

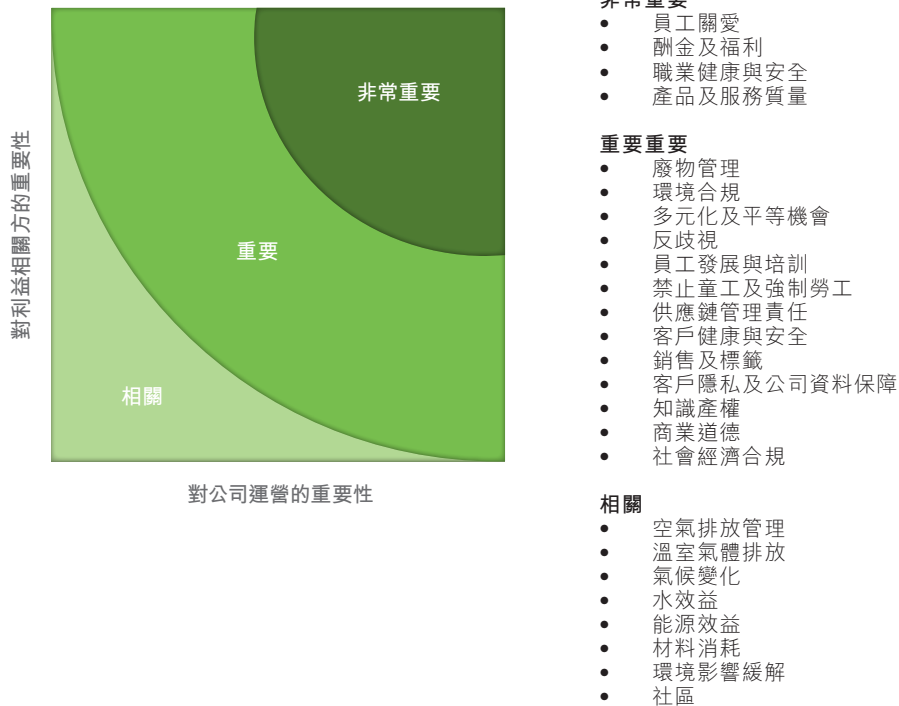
本公司根據自身業務和運營的特點，將主要利益相關方確定為投資者、政府與監管機構、員工、非政府組織、客戶、供應商和社區。

利益相關方	期望與訴求	溝通方式
投資者	<ul style="list-style-type: none"> 保障股東權利及權益 資產保值增值 公司治理 信息披露真實、準確、及時和完整 	<ul style="list-style-type: none"> 股東大會 新聞稿及公告 公司報告 在公司網站發佈消息 投資者會議
政府與監管機構	<ul style="list-style-type: none"> 守法經營 依法納稅 環境保護 行業發展 回饋社會 	<ul style="list-style-type: none"> 會議 合規報告 實地檢查 特別查詢／檢查 妥善提交文件
員工	<ul style="list-style-type: none"> 平等僱傭 薪酬福利 員工培訓 職業發展 人文關愛 健康與安全 	<ul style="list-style-type: none"> 勞動合同 業餘活動 經理郵箱 志願活動 日常交流
非政府組織	<ul style="list-style-type: none"> 當地發展投資 參與當地社區項目 承擔環境責任 人權情況 公平地分享利益 	<ul style="list-style-type: none"> 年度ESG報告 直接溝通 廠區參觀
客戶	<ul style="list-style-type: none"> 客戶滿意度管理 客戶投訴管理 產品責任 	<ul style="list-style-type: none"> 日常營運／互動 定期走訪 客戶服務中心／熱線
供應商	<ul style="list-style-type: none"> 供應商行為準則 供應商評估 供應商合作 	<ul style="list-style-type: none"> 高層會晤 研討會 營銷峰會 供應商准入與評估 實地考察 日常交流
社區	<ul style="list-style-type: none"> 噪聲管理 助力經濟發展 投身社區公益 	<ul style="list-style-type: none"> 公益活動 社區服務 環保活動

重大議題評估

我們對公司內部和外部的利益相關方進行了意見收集，我們從兩個維度對ESG議題進行排序，即從對公司運營的影響及對利益相關者的影響兩個維度出發，以反映我們對環境及社會的重大影響，並更好地回應利益相關方的期望與訴求。我們的重大議題如下：

重要性評估矩陣



市場

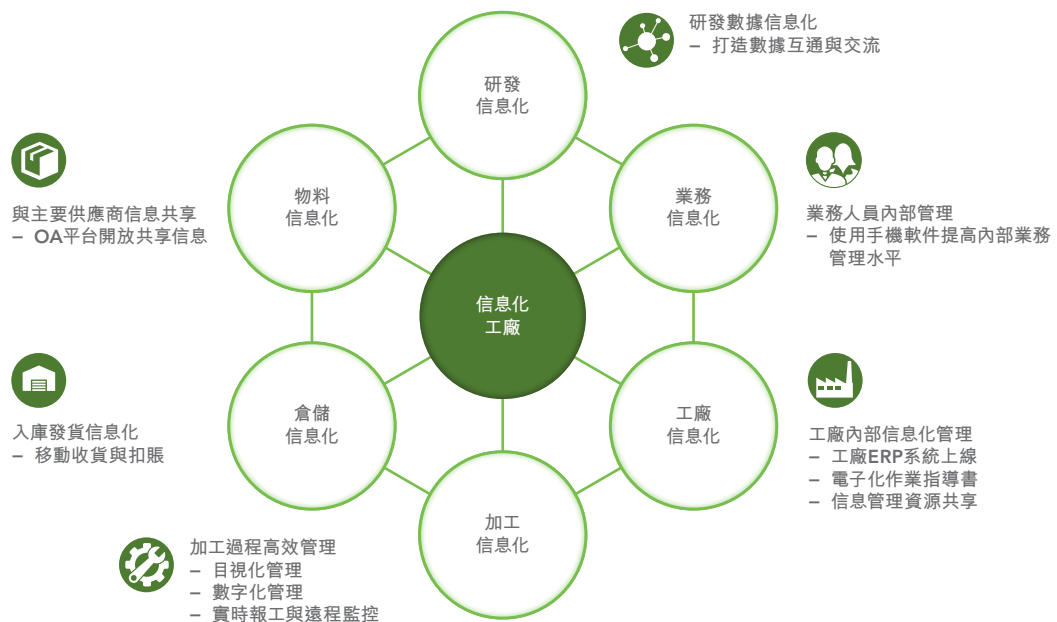
我們能夠成為中國最具規模的CNC'工具機生產廠離不開我們對自己的高標準要求，我們從創立伊始便秉持著以誠立業，以信立世的經營理念，所以為了更好更快地成長，我們不僅對合作夥伴進行嚴格的篩選，對質量高標準嚴要求，還盡全力為客戶提供熱忱的服務。

2019財政年度內，我們未發現任何因安全與健康而退回產品的情況。

質量控制

本集團主要生產經營CNC工具機、停車設備以及叉車。我們始終堅持各項產品都必須經過嚴格的質量管理系統，確保客戶無後顧之憂。關於產品質量，我們通過了ISO 9001質量管理體系認證，實行來料、生產、包裝、發貨一條龍的產品安全管理體系。我們每年都根據制定的進料檢驗管理、製作過程檢驗管理、成品檢驗管理和不合格控制管理程序開展質量管理自查工作，並組織開展質量內審工作。

工業4.0²使得每一款產品都具有數據精準、可追溯、高標準的質量，為了提高產品質量，我們正逐步建立集數據化、可視化、信息網絡於一身的工廠。我們以客戶需求為主線，成功將六個信息化管理應用於CNC工具機日常工作當中，覆蓋CNC工具機研發（「研發」）、設計、製造、檢驗、出廠、售後服務整個過程以全方位提升產品質量，推進CNC工具機發展。



¹ 指電腦數碼控制，常稱作CNC。

² 「工業4.0」該詞亦被稱為第四次工業革命，乃由一群科學家、商界／行業高管向德國政府提出了如何制定其高科技戰略，以維持全球製造業份額及其領先的工業國地位。

此外，我們也為提升機械、製造及工具機業質量控制工作貢獻一份力量。為提升中國行業質量技術要求，自2018財政年度以來，我們已積極參與中國起重機械標準化技術委員會主導的《機械式停車設備設計規範》的起草工作。

質量提升根本在科技，我們致力於科技創新，不斷提高產品的技術含量以提升我們的產品質量。我們目前擁有有效專利30項，其中軟件著作權15項，公司還建立了《專利管理制度》，對於專利研發和保護流程進行描述。

客戶服務

質量是企業生命延續的要素，顧客則是主掌生命的原動力，有了堅實而穩固的顧客群，我們才能積極推廣各項活動讓企業蓬勃發展。

我們始終為了讓客戶感受到更加優質的服務體驗而努力。為了及時提交客戶訂單，提升客戶滿意度，我們在內部實行精益管理，建立了跨部門的分科會和專案組，通過對經營管理數據的匯總、統計、分類，對問題的發生點和檢出點進行定位，及時解決日常經營過程中出現的問題。此外，我們定期針對產品質量和售後服務開展滿意度問卷調查工作。2019財政年度，我們沒有客戶投訴事件發生，客戶滿意度為97%(2018財政年度：98%)。

關於客戶隱私，我們對客戶文檔進行權限設置，最大限度地保障客戶隱私。

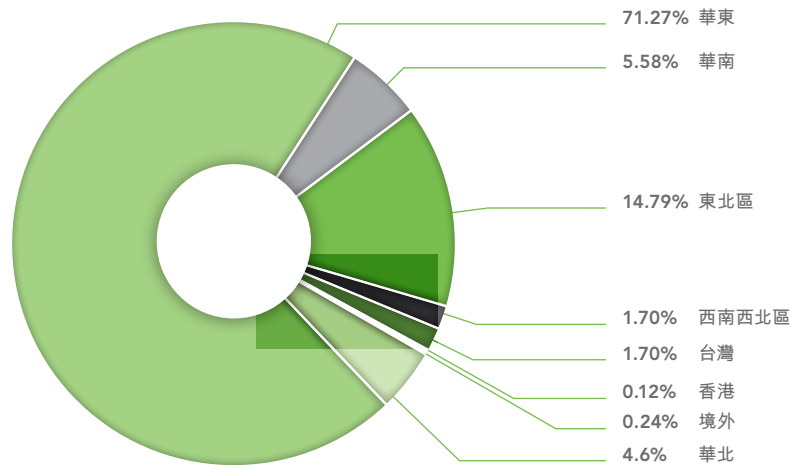
供應商管理

我們給客戶提供的高質量產品取決於我們優秀的供應商管理。我們對供應商提出了嚴格要求。我們執行嚴格公正的供應商准入程序和評估機制，制定《供應商管理程序》、《供應商管理作業流程圖》、《供應商月度評核表》以及其他相關政策及程序。在對新供應商進行選擇時，我們會根據這些制度，進行一系列的評估程序，具體包括調查訪問、索樣、品質確認等流程。

同時，我們不斷強化供應商的環境及社會風險管理，要求供應商符合相關的環保要求，督促我們的供應商通過ISO 14000環境管理系列標準認證。在評價供應商時將其對環境、社會的影響納入考慮範圍，篩選出品質優異、環保意識強的供應商進行合作。

我們會優先選擇當地的供應商，促進當地經濟的發展。於2019財政年度與我們合作的供應商為824個³(2018財政年度：769個)，主要來源於江浙滬地區，具體地域⁴分佈如下。

2019財政年度供應商按地域分佈



對於合格供應商，我們會進行月度和年度評核，評審不過關的供應商將被取消資格。對於優秀的供應商，我們會在年終頒發「優良供應商獎」。

商業道德

為了營造積極健康的經營環境，確保集團良性發展。在內部，我們建立了《反貪污受賄管理法》，嚴格遵守規章制度和法規。對於供應商，在簽訂合同時，我們要求對方簽署《廠商承諾書》，保證整個交易過程的透明。此外，對於不道德行為，我們提供多種匿名的檢舉渠道。

我們嚴格遵守相關規章制度和法規，包括但不限於《中華人民共和國刑法》。2019財政年度內，我們未有貪污、賄賂、勒索、欺詐及洗黑錢的行為引起的訴訟案件發生。

³ 該數據指2019財政年度的供應商數量。

⁴ 由於約分，數據加總未必等於100%。

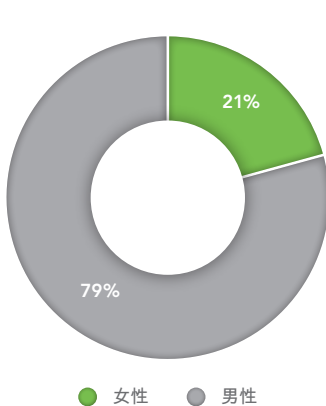
僱員

我們嚴格遵循人權、勞工國際公約及運營所在地的勞動僱傭法規及相關政策，迄今為止共確定了適用的法律法規標準共40項，並制訂了相關制度，包括但不限於《勞動合同管理》、《員工聘用管理》、《職業健康體檢》、《工傷事故處理》和《離職管理》等制度。

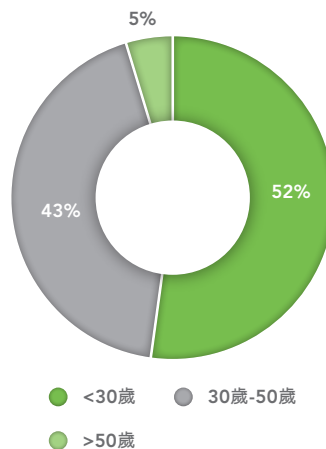
我們致力於為員工營造創新、共贏、平等的工作環境。我們在保障員工職業安全與健康的同時我們關心關愛員工，開展多樣化員工活動以促進員工身心健康。為實現企業和個人共同發展，我們完善人才培育體系，暢通內部溝通渠道，為員工提供良好的職業發展平台。

2019財政年度，我們共有員工1,075人⁵(2018財政年度：1,147人)，其中女員工194人(2018財政年度：216人)，佔總員工的21%(2018財政年度：19%)。員工總流失比率22%(2018財政年度：22%)。按性別、年齡組別及僱員類別劃分的僱員佔比情況如下。

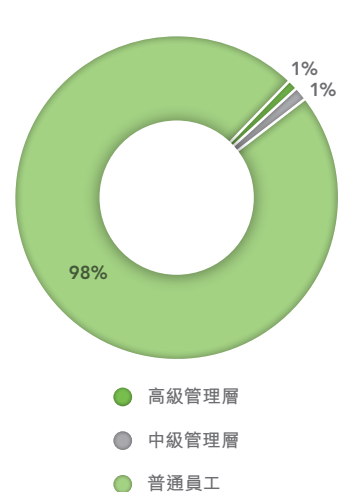
按性別劃分的僱員佔比情況



按年齡組別劃分的僱員佔比情況



按僱員類別劃分的僱員佔比情況



⁵ 指於2019年12月31日的員工數量。

僱傭與勞工準則

勞工準則

我們堅持平等及公平僱傭，反對各種形式的就業歧視，保證員工不會因種族、國籍、膚色、宗教、身體殘疾、性別、性取向、社團成員或婚姻狀況等因素受到歧視。

對於女員工，我們維護女員工的職業發展權利。我們規定女員工享有與男員工同等的升職以及技術及管理技能的專業培訓權利。我們在組織員工外出進修、崗位培訓及出國考察等多種培訓及發展機會時均要求有一定比例的女員工參加。

我們嚴格遵守國際勞工公約、當地有關勞工標準的法律法規，包括但不限於《中華人民共和國禁止使用童工的規定》和《中華人民共和國未成年保護法》。

我們杜絕僱傭童工，禁止任何形式的強迫、騷擾、體罰、精神壓迫或是語言辱罵勞工。我們尊重員工加入協會的權利。

我們在2019財政年度內未有僱傭童工事件、強迫勞工或歧視的行為發生。

薪酬福利

我們遵循《中華人民共和國勞動合同法》，在中國境內按照中國的社會保障政策，按時為員工足額繳納養老、醫療、失業、工傷、生育及住房公積金等各項社會保障，同時為員工購買商業保險，以提高員工應對突發性困難的能力。

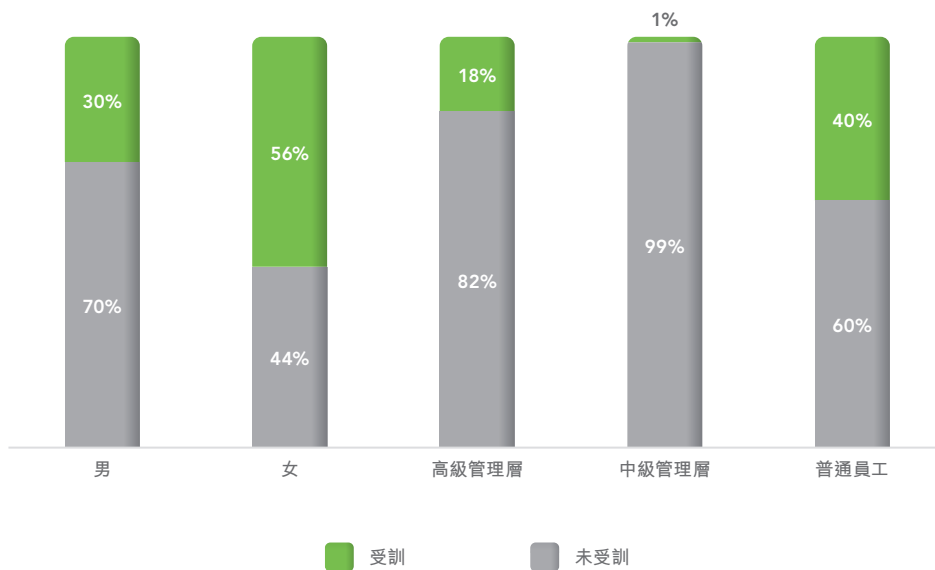
我們制定了《員工管理規則》，制度中明確要將員工的能力、表現與崗位績效結合，及時調整薪酬、保險及福利方面的政策。例如，我們針對CNC工具機無缺勤和缺勤率較低的員工以及值班表現優異的主管給予獎勵。

培訓與發展

企業發展與員工的成長緊密相連，員工的技術技能、能力的發展預示著企業的前景。讓每一位員工在相應的崗位擁有相應的技能是我們成功的關鍵。我們激勵員工不斷提升和發展自我，為所有員工提供各種培訓以及技能相關的比賽活動，讓員工們在競爭中相互學習，發現不足，提升自己。

2019財政年度內，人均培訓時間達到29小時（2018財政年度：22小時）。

按性別、僱員類別劃分的受訓僱員百分比



此外，我們與杭州職業技術學院合作成立的友嘉機電學院是我們人才的搖籃。友嘉機電學院是浙江省重點的先進製造業人才培養基地，擁有人民幣1.3億元的先進設備，擁有教授和副教授約20名，博士、碩士及專、兼職高級人才50餘人。為員工的成長以及培訓提供了良好的空間。

安全與健康

員工的職業安全與健康，是本集團可持續發展的根基。雖然我們在生產經營過程中無較大的職業安全與健康威脅出現，但是我們防患於未然，始終注重保障員工的職業安全與健康。我們嚴格遵守《中華人民共和國勞動法》、《中國職業病防治法》和其他地方職業病防治法規，制定了《職業安全健康教育制度》，不斷完善員工健康管理。

我們已通過ISO 45001職業健康安全管理体系驗證標準認證，不斷提高職業健康安全水平，形成自我監督、自我發現和自我完善的全面機制。每年，我們對生產廠房的周邊環境都會進行一次完整全面的審查，以保證員工的工作環境安全。2019財政年度內，我們未發生員工因安全生產事故死亡的事件，也無重大生產安全事故。

導致我們員工發生職業健康問題的主要因素是粉塵和噪聲，為保障員工健康，我們已採取以下措施：

- 淨化粉塵

在停車場建築生產過程中，焊接產生的粉塵威脅員工的健康。所以，我們投入了8台煙霧淨化器。煙霧淨化器通過風機吸力，吸入煙霧、煙塵、異味廢氣，同時進風口處的阻火器阻止焊接產生的火花的進入，過濾煙霧等，淨化之後的氣體經出風口排除。這樣，保證了員工的安全的同時也保護了環境。

- 處理噪聲

機器的噪聲可能會影響員工的聽力。為了防止員工的聽力損失，我們加工課投入人民幣15萬元建設了振動應力消除(VSR)技術車間，實現噪音為98分貝，關門後周圍噪音平均為78分貝的良好效果，並且我們禁止我們的員工於振動過程結束之前進入車間。在此情況下減少了員工在工作場所中受到身體傷害的可能性。

- 預防疾病

我們為員工提供定期體檢，預控疾病的發生。我們的員工食堂為員工提供高標準的飲食。

員工關愛

我們會不定期組織多種娛樂活動，幫助員工緩解工作壓力，更好地維持工作與生活的平衡。例如，我們每年舉辦「歡樂出發毅路同行」以增強員工愛護自然的意識，幫助員工舒緩壓力。我們已多年成功舉辦員工家庭活動，旨在增強其孩子與家長的情感交流。我們還定期舉辦運動會，以一個團隊來合作與工作來促進公司團結感。

於2019財政年度，為促進員工的身體健康，我們在一個名為「悅跑圈」的移動應用平台上建立了跑步小組。

此外，我們幫助困難員工，以緩解其經濟壓力。如我們為存在住房困難的員工發放人民幣500元／月的住房補貼，幫助員工減輕高房租帶來的壓力。我們亦鼓勵員工互幫互助。倘任何員工因特殊情況存在經濟壓力，我們會主動籌集資金及為他們度過困難提供財務資助。

環境

本集團重視企業可持續發展管理，提高資源使用率。我們一直致力於在企業經營的每一個方面減輕對環境的影響。我們的生產工廠通過了ISO 14001環境管理體系認證。我們每年還會定期組織開展內、外部審查活動，確保企業環境管理體系的可控性、長效性。

我們不斷優化環境、能源管理體系制度，制定了《品質環境手冊》、《危害物說明書》、《作業指導書》和《空氣污染管制管理》等相關制度，促進保護環境、節能減排的管理規範化和制度化。

本集團嚴格遵守國家和地方關於環境保護及污染控制的法律法規，包括但不限於以下內容：

- 《中華人民共和國環境保護法》
- 《中華人民共和國水污染防治法》
- 《中華人民共和國大氣污染防治法》
- 《中華人民共和國固體廢物污染防治法》
- 《中華人民共和國噪聲污染防治法》

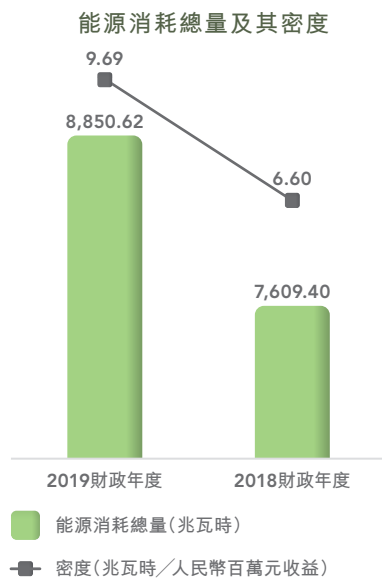
2019財政年度內我們並無環境污染事故、違法事件或周圍居民投訴發生。

資源管理

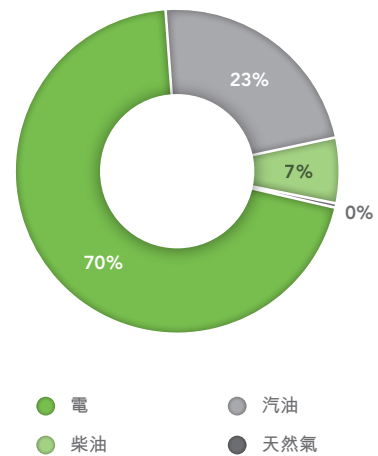
我們營運中主要消耗的資源有電、汽油、柴油、天然氣、鋼鐵、包裝材料等，企業運營過程中我們採取多種方式降低運營能耗。

低碳生產

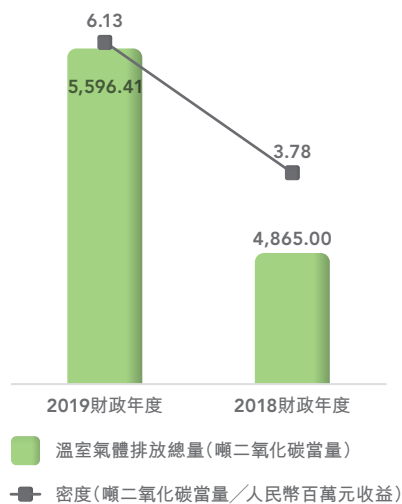
我們營運中主要使用的能源有電、汽油、柴油及天然氣。2019財政年度內我們共使用能源8,850.62兆瓦時（2018財政年度：7,609.40兆瓦時），其中外購電力佔能源消耗總量的70%（2018財政年度：71%）。相較於2018財政年度，因汽油使用增加，能源消耗總量增加16%。



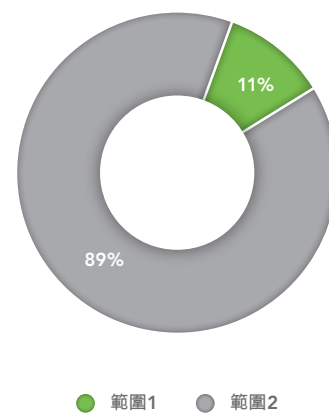
2019財政年度能源消耗按種類劃分佔比



溫室氣體排放總量及其密度



2019財政年度按範圍劃分之溫室氣體排放



2019財政年度內我們的直接溫室氣體排放的二氧化碳當量（範圍1）為594.53噸（2018財政年度：567.70噸二氧化碳當量），間接溫室氣體排放的二氧化碳當量（範圍2）為5,001.88噸（2018財政年度：3,816.71噸二氧化碳當量）。相較於2018財政年度，溫室氣體排放總量增加15%，與能源使用總量增加一致。

為了減少溫室氣體的排放，我們採取了多項措施。在2019財政年度內，我們將耗電量較大的燈更換成了節能LED燈，生產工廠區域內的所有路燈都配備了智能傳感照明控制模塊，有效地降低了電力的使用。同時我們每年會實行變壓器停電的措施，降低能耗。

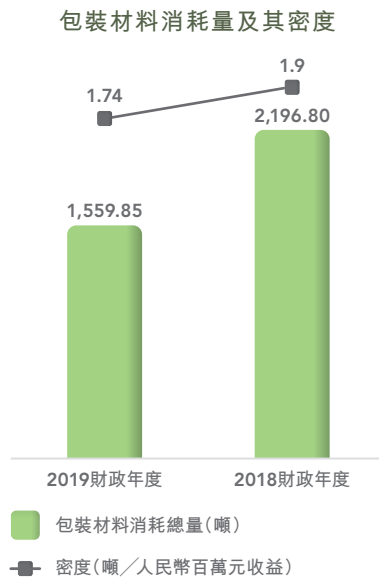
關於汽車停車場結構的生產，我們使用的都是符合歐洲能效標準的設備。儘管設備的成本更高，我們秉持著環境友好的理念，不惜成本堅決貫徹落實環境保護措施。

原材料和包裝材料

汽車停車場結構的生產對鋼材有大量的需求。為避免由於我們自行切割組裝鋼材結構而產生不必要的鋼材浪費，我們聘請了為我們定制鋼材的供應商。

木料是包裝材料消耗的主要類型。我們的CNC機器通常會在運送給客戶時使用木質盒子進行包裝。為減少我們的包裝材料的消耗，我們與包裝材料的供應商簽訂協議，對包裝材料進行回收，從而降低消耗，減少對環境的影響。

在2019財政年度內，我們共使用包裝材料1,563.97噸，其中木料1,559.85噸。



大氣排放物管理

我們經營產生的大氣污染物主要類型包括揮發性有機化合物(「VOCs」)、氮氧化物(「NOx」)、硫氧化物(「SOx」)及顆粒物(「PM」)。生產過程中產生的VOCs佔大氣污染物排放量總額最多。我們的流動車輛所產生的無機大氣污染物(即NOx、SOx和PM)的排放量被認為是微不足道的。為改善工作環境及減少對周邊環境的影響，我們根據環保專案的要求，在本集團領導的支持下，建立了廢氣處理專案。處理後的廢氣達到《大氣污染物綜合排放標準》(GB16297-1996)規定的排放標準。

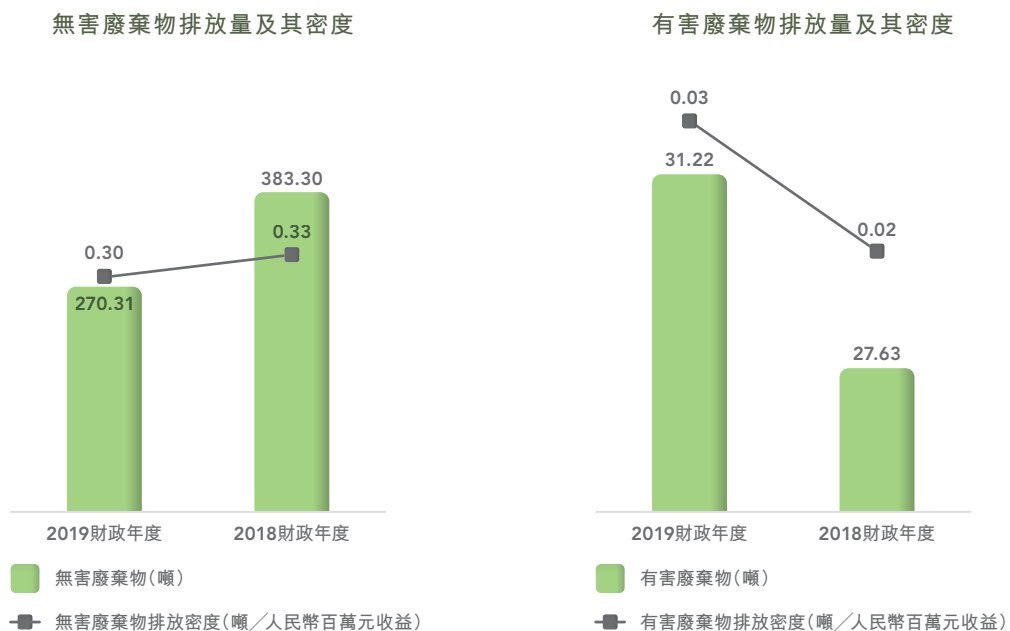
生產過程中產生的粉塵對員工的健康有著重大的影響。倘不進行處理，排放不僅會對周圍環境且會對整個大氣造成危害。煙塵回收設備安裝後，所有的粉塵氣體排放都要經過處理後再排放到空氣中。在2019財政年度內，為減輕揮VOCs排放對環境及我們員工的影響，我們亦對噴漆設施進行了改造。這些措施將大大減少生產活動對周圍環境的影響。

廢物管理

固廢

我們生產過程中所產生的廢棄物主要分為有害廢棄物以及無害廢棄物。無害廢棄物主要包括生活垃圾、廢鐵、磨砂輪和辦公耗材等。

有害廢棄物主要包括磨削泥、沾染油漆的活性炭、油漆桶和廢油等。



我們於生產和經營活動中實施了《廢棄物排放管理規定》。

我們按照《國家危險廢物名錄》對廢棄物進行分類辨識及對應分級處理。對於廢油類有害廢棄物，本集團聘請具有資質的第三方專業處理機構對其進行處理。

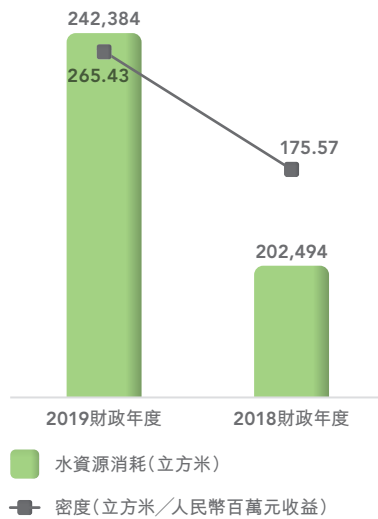
在生產中，機器產生大量的熱無法進行排放，我們會使用切削液（冷卻液）對機器設備進行降溫，在降溫過程中，切削液裡將會沾染生產過程中產生的廢油以及其他雜質。我們引進了切削液的回收裝置，對切削液進行處理並回收。

水資源管理

我們的用水取自城市供水系統。2019財政年度內，我們共消耗水242,384立方米（2018財政年度：20,494立方米）。

在生產活動中，我們只會產生少量的工業廢水和生活廢水。生活廢水主要來源於辦公衛生間及廚房，無有毒、有害物質和特殊物質排放。工業廢水直接通過市政污水管網排放，市政府的污水處理廠處理後達標排放。

水資源消耗情況及其密度



社區

我們始終堅持「取之於民，用之於民」的理念，在經營好企業的同時，我們把一部分利潤回饋給社會，這個觀念深深扎根在本集團每個人的心裡。此外，由於生產廠區附近有不少的居民區，我們在生產活動中時刻注意，盡量減少擾民。

管理噪聲

我們主要噪聲源包括空壓機、龍門銑床、臥式鏜床和行車等動力設備。我們通過實施在設備周圍加蓋防噪罩，建設吸音牆等措施來控制噪聲，降低對周邊居民區的噪聲影響程度。

助力經濟發展

我們與杭州職業技術學院聯合成立的友嘉機電學院不僅為我們企業帶來了理論知識與實踐操作都精通的人才，還給當地帶來了大批機電方面的精英，為當地學生提供就業機會。在1993年，杭州友佳精密機械有限公司在杭州的蕭山區成立，給當地帶來了大量的就業機會，推動了當地的經濟發展，並且很榮幸地成為當地帶動經濟發展的前10大企業之一。我們製造的高質量的CNC工具機，叉車以及停車設備，對當地工業升級以及企業轉型提供了強大的支持。

投身社區公益

我們積極參與各類公益活動和慈善捐款。在2019財政年度內，我們參與了開發區組織的無償獻血活動，在公司號召下，50名員工共捐獻20,000毫升血液。為幫助困難群眾，救助弱勢群體，我們在杭州市政府組織的「春風行動」中捐贈贊助人民幣7,000元。

支持教育事業

我們極其關注並支持教育事業的發展。在2019財政年度內，我們與杭州蕭山技師學院共同舉辦了第十三屆職業技術展覽會並捐款達人民幣100,000元。

ESG數據總覽

環境關鍵績效指標	單位	2019財政年度	2018財政年度
氣體排放 附註1		4,384.41	4,315.87
NO _x 附註2	噸	0.08	0.15
SO _x 附註2	噸	0.02	0.02
PM 附註2	噸	0.01	0.01
VOCs	噸	25.02	14.51
總量	噸	25.13	14.72
溫室氣體排放 附註3			
範圍1 附註2	噸二氧化碳當量	594.53	499.79
範圍2 附註2	噸二氧化碳當量	5,001.88	4,365.21
總量 附註2	噸二氧化碳當量	5,596.41	4,865.00
密度 附註4	噸／人民幣百萬元	6.13	3.78
有害廢棄物			
磨削泥	噸	21.25	23.75
沾染油漆的活性炭	噸	2.50	2.00
油漆桶	噸	2.64	1.26
廢油液	噸	4.83	0.62
有害廢棄物排放總量	噸	31.22	27.63
密度 附註4	噸／人民幣百萬元	0.03	0.02
無害廢棄物			
廢鐵	噸	70.65	208.67
生活垃圾	噸	166.24	173.00
磨砂輪	噸	1.43	0.52
辦公耗材	噸	0.38	1.11
其他工業垃圾	噸	32.11	0.00
無害廢棄物排放總量	噸	270.81	383.30
密度 附註4	噸／人民幣百萬元	0.30	0.33
用水量			
總量	立方米	242,384.00	202,494.00
密度 附註4	立方米／人民幣百萬元	265.43	175.57
能源消耗			
電力	兆瓦時	6,216.61	5,425.32
汽油	兆瓦時	2,018.20	1,610.64
柴油	兆瓦時	577.98	573.44
天然氣	兆瓦時	37.83	—
總量	兆瓦時	8,850.62	7,609.40
密度 附註4	兆瓦時／人民幣百萬元	9.69	6.60

環境關鍵績效指標	單位	2019財政年度	2018財政年度
包裝材料消耗			
木材	噸	1,559.85	2,066.30
其他材料	噸	31.14	130.50
總量	噸	1,590.99	2,196.80
密度 ^{附註4}	噸／人民幣百萬元	1.74	1.90

附註1： 茲提述中國生態環境部發佈的《道路機動車大氣污染物排放清單編制技術指南（試行）》有關NO_x、SO_x及PM的計算。由於無法獲取運行里程的數據，叉車產生的大氣污染物排放並無納入計算。

附註2： 2018財政年度的數字已重列，供連貫比較。

附註3： 茲提述世界資源研究所發佈的《能源消耗引起的溫室氣體排放計算工具指南（2.1版）》及中國生態環境部應對氣候變化司發佈的《2017年度減排項目中國區域電網基準線排放因子》有關溫室氣體排放的計算。

附註4： 密度乃按對應年度的總量除以收益（人民幣百萬元）計算。

社會關鍵績效指標	單位	2019財政年度	2018財政年度
僱員			
總計 ^{附註5}	／	1,075	1,147
按性別			
女	／	194	216
男	／	881	931
按年齡組別			
30歲以下	／	305	363
30歲至50歲	／	696	717
50歲以上	／	74	67
按僱員類型			
高級管理層	／	6	7
中級管理層	／	134	160
普通員工	／	935	980
僱員流失比例 ^{附註6}	%	22	22
安全			
因工死亡人數	／	0	0
因工死亡人數的比率	／	0	0
工傷損失工作日數	／	527	450

社會關鍵績效指標	單位	2019財政年度	2018財政年度
發展及培訓			
受訓僱員百分比 ^{附註7}			
整體	%	65	86
按性別			
女	%	44	64
男	%	70	91
按僱員類型			
高級管理層	%	82	71
中級管理層	%	99	98
普通員工	%	60	84
每名僱員完成受訓的平均時數 ^{附註8}			
整體	時數／僱員	29	22
按性別			
女	時數／僱員	26	13
男	時數／僱員	30	24
按僱員類型			
高級管理層	時數／僱員	18	3
中級管理層	時數／僱員	32	21
普通員工	時數／僱員	29	22

附註5： 社會關鍵績效指標僅覆蓋四個實體：杭州友佳精密機械有限公司、杭州友高精密機械有限公司、杭州友華精密機械有限公司及杭州友達機械科技有限公司。因此，與2019年報的其他章節呈列的數字相比，可能存在差異。

附註6： 僱員流失比例乃按離職員工總數除以截至2019年12月31日離職員工總數與員工總數之和計算。

附註7： 受訓僱員百分比乃按受訓僱員總數除以員工總數計算。

附註8： 每名僱員完成受訓的平均時數乃按受訓時數總數除以員工總數。

附錄一—ESG索引

層面	描述	位置／備註
A.環境		
層面A1：排放物		
一般披露	有關廢氣及溫室氣體排放、向水及土地的排污、有害及無害廢棄物的產生等的：(a)政策；及(b)遵守對發行人有重大影響的相關法律及規例的資料	資源管理；廢氣排放管理；廢物管理；水資源管理
A1.1	排放物種類及相關排放資料	廢氣排放管理
A1.2	溫室氣體總排放量（以噸計算）及（如適用）密度（如以每產量為單位、每項設施計算）	資源管理
A1.3	所產生有害廢棄物總量（以噸計算）及（如適用）密度（如以每產量為單位、每項設施計算）	廢物管理
A1.4	所產生無害廢棄物總量（以噸計算）及（如適用）密度（如以每產量為單位、每項設施計算）	廢物管理
A1.5	描述減低排放量措施及所得成果	資源管理；廢氣排放管理；廢物管理；水資源管理
A1.6	描述處理有害及無害廢棄物的方法、減低產生量的措施及所得成果	廢物管理

層面	描述	位置／備註
層面A2：資源使用		
一般披露	有效使用資源（包括能源、水及其他原材料）的政策	資源管理；廢物管理；水資源管理
A2.1	按類型劃分的直接及／或間接能源（如電、氣或油）總耗量（以兆瓦時計算）及密度（如以每產量單位、每項設施計算）	資源管理
A2.2	總耗水量及密度（如以每產量單位、每項設施計算）	水資源管理
A2.3	描述能源使用效益計劃及所得成果	資源管理
A2.4	描述求取適用水源上可有任何問題，以及提升用水效益計劃及所得成果	資源管理
A2.5	製成品所用包裝材料的總量（以噸計算）及（如適用）每生產單位佔量	資源管理
層面A3：環境及天然資源		
一般披露	減低發行人對環境及天然資源造成重大影響的政策	資源管理；廢氣排放管理；廢物管理；水資源管理
A3.1	描述業務活動對環境及天然資源的重大影響及已採取管理有關影響的行動	資源管理；廢氣排放管理；廢物管理；水資源管理

層面	描述	位置／備註
B. 社會		
層面B1：僱傭		
一般披露	有關薪酬及解僱、招聘及晉升、工作時數、假期、平等機會、多元化、反歧視以及其他待遇及福利的：(a)政策；及(b)遵守對發行人有重大影響的相關法律及規例的資料	僱員
B1.1	按性別、僱傭類型、年齡組別及地區劃分的僱員總數	ESG數據總覽
B1.2	按性別、年齡組別及地區劃分的僱員流失比率	ESG數據總覽 (註：僅披露僱員流失比率)
層面B2：健康與安全		
一般披露	有關提供安全工作環境及保障僱員避免職業性危害的：(a)政策；及(b)遵守對發行人有重大影響的相關法律及規例的資料	健康與安全
B2.1	因工作關係而死亡的人數及比率	ESG數據總覽
B2.2	因工傷損失工作日數	ESG數據總覽
B2.3	描述所採納的職業健康與安全措施，以及相關執行及監察方法	健康與安全
層面B3：發展及培訓		
一般披露	有關提升僱員履行工作職責的知識及技能的政策。描述培訓活動	培訓與發展
B3.1	按性別及僱員類別（如高級管理層、中級管理層等）劃分的受訓僱員百分比	ESG數據總覽
B3.2	按性別及僱員類別劃分，每名僱員完成受訓的平均時數	ESG數據總覽

層面	描述	位置／備註
層面B4：勞工準則		
一般披露	有關防止童工或強制勞工的：(a)政策；及(b)遵守對發行人有重大影響的相關法律及規例的資料	僱傭與勞工準則
B4.1	描述檢討招聘慣例的措施以避免童工及強制勞工	僱傭與勞工準則
B4.2	描述在發現違規情況時消除有關情況所採取的步驟	僱傭與勞工準則
層面B5：供應鏈管理		
一般披露	管理供應鏈的環境及社會風險政策	供應商管理
B5.1	按地區劃分的供應商數目	供應商管理
B5.2	描述有關聘用供應商的慣例，向其執行有關慣例的供應商數目、以及有關慣例的執行及監察方法	供應商管理
層面B6：產品責任		
一般披露	有關所提供產品和服務的健康與安全、廣告、標籤及私隱事宜以及補救方法的：(a)政策；及(b)遵守對發行人有重大影響的相關法律及規例的資料	市場
B6.1	已售或已運送產品總數中因安全與健康理由而須回收的百分比	質量控制
B6.2	接獲關於產品及服務的投訴數目以及應對方法	客戶服務
B6.3	描述與維護及保障知識產權有關的慣例	質量控制
B6.4	描述質量檢定過程及產品回收程序	質量控制
B6.5	描述消費者數據保障及私隱政策，以及相關執行及監察方法	客戶服務

層面	描述	位置／備註
層面B7：反貪污		
一般披露	有關防止賄賂、勒索、欺詐及洗黑錢的：(a)政策；及(b)遵守對發行人有重大影響的相關法律及規例的資料	商業道德
B7.1	於匯報期內對發行人或其僱員提出並已審結的貪污訴訟案件的數目及訴訟結果	商業道德
B7.2	描述防範措施及舉報程序，以及相關執行及監察方法	商業道德
層面B8：社區		
一般披露	有關以社區參與來了解營運所在社區需要和確保其業務活動會考慮社區利益的政策	社區
B8.1	專注貢獻範疇（如教育、環境事宜、勞工需求、健康、文化、體育）	助力經濟發展； 投身社區公益； 支持教育事業
B8.2	在專注範疇所動用資源（如金錢或時間）	助力經濟發展； 投身社區公益； 支持教育事業



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意見

吾等已審核載於第71至167頁的友佳國際控股有限公司(「貴公司」)及其附屬公司(「貴集團」)的綜合財務報表，此等綜合財務報表包括於二零一九年十二月三十一日的綜合財務狀況表以及截至該日止年度的綜合損益及其他全面收益表、綜合權益變動表及綜合現金流量表，以及綜合財務報表附註，包括主要會計政策概要。

吾等認為，綜合財務報表已根據香港會計師公會(「香港會計師公會」)頒佈之香港財務報告準則(「香港財務報告準則」)真實及公平反映 貴集團於二零一九年十二月三十一日的綜合財務狀況以及其截至該日止年度的綜合財務表現及其綜合現金流量，並已按照香港公司條例的披露規定妥為編製。

意見基準

吾等已根據香港會計師公會頒佈之香港核數準則(「香港核數準則」)進行審核。吾等於該等準則項下之責任乃於吾等之報告「核數師就審核綜合財務報表須承擔的責任」一節進一步闡述。吾等根據香港會計師公會頒佈之專業會計師道德守則(「道德守則」)獨立於 貴集團，吾等亦已根據道德守則達致吾等之其他道德責任。吾等認為吾等所獲得的審核憑證屬充足及適當以為吾等之意見提供基準。

關鍵審核事項

關鍵審核事項為就吾等之專業判斷而言，對吾等審核本期間之綜合財務報表最為重要的事項。該等事項是在吾等審核整體綜合財務報表及出具意見時進行處理的，且吾等不會對該等事項提供單獨的意見。吾等所識別之關鍵審核事項如下：

1. 貿易應收賬款及合約資產之減值評估
2. 存貨減值評估

致友佳國際控股有限公司股東

(於開曼群島註冊成立之有限公司) (續)

關鍵審核事項 (續)

關鍵審核事項

1. 貿易應收賬款及合約資產之減值評估

請參閱綜合財務報表附註21A、21B及38(d)。

於二零一九年十二月三十一日，貿易應收賬款及合約資產賬面值（扣除減值）為約人民幣230,255,000元。

貿易應收賬款及合約資產之減值評估涉及於報告期末對 貴集團貿易應收賬款及合約資產的預期信貸虧損（「預期信貸虧損」）進行評估時的判斷及管理層估計。

貴集團管理層按適當分組根據撥備矩陣估計貿易應收賬款及合約資產之全期預期信貸虧損金額。就共同評估而言， 貴集團使用應收賬款之賬齡評估客戶減值情況，原因為該等客戶乃由數量眾多的小客戶組成，而該等客戶具有可反映彼等根據合約條款償還所有到期款項之能力的共同風險特性。此外，貿易應收賬款及合約資產乃就具有重要結餘或信用減值的債務人個別予以評估。預期信貸虧損乃根據於報告日期基於債務人過往違約經驗得出的過往信貸虧損經驗、債務人經營所在行業的整體經濟環境及對目前及未來環境方向的評估而估計得出。信貸減值之貿易應收賬款的虧損撥備金額按資產賬面值與估計未來現金流量現值之間的差額，並考慮預期未來信貸虧損計量。

於截至二零一九年十二月三十一日止年度， 貴集團撥回貿易應收賬款及合約資產減值金額總計人民幣3,009,000元，而 貴集團於二零一九年十二月三十一日貿易應收賬款及合約資產之全期預期信貸虧損為人民幣39,815,000元。

吾等之審核如何處理關鍵審核事項

吾等有關貿易應收賬款及合約資產預期信貸虧損之虧損撥備的程序包括：

- 了解對貿易應收賬款及合約資產減值評估的關鍵控制，包括但不限於 貴集團管理層對交易對手信譽度的評估；
- 抽樣將二零一九年十二月三十一日貿易應收賬款的賬齡報告中個別結餘與相關銷售協議、銷售發票及其他支持文件進行比對，對賬齡報告進行測試；及
- 評估 貴集團管理層於釐定二零一九年十二月三十一日貿易應收賬款及合約資產的信貸虧損撥備時採用的基準及作出的判斷，包括彼等對個別評估貿易應收賬款及合約資產的識別及評估、 貴集團管理層對貿易應收賬款在撥備矩陣中分為不同類別的合理性及在撥備矩陣中應用於各類別的估計虧損率的基準（參照歷史違約率及前瞻性資料）。

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關鍵審核事項 (續)

關鍵審核事項

2. 存貨減值評估

請參閱綜合財務報表附註5(c) (誠如「估計不確定因素之主要來源」所呈列) 及24。

於二零一九年十二月三十一日，存貨賬面值 (扣除減值) 為約人民幣493,053,000元。

貴集團之存貨成本主要包括原材料、直接勞工、其他直接成本及相關生產雜項支出。鑒於生產週期較長及原材料價格波動不可預測，存貨面臨賬面值超過可變現淨值的風險。

在評估可變現淨值及就存貨作出恰當撥備時，管理層透過識別滯銷或陳舊存貨估計存貨減值，並考慮存貨的實質狀況、賬齡、市況、類似項目的市場價格、完工成本及作出銷售所必要的成本。

於截至二零一九年十二月三十一日止年度，貴集團確認存貨減值人民幣667,000元。於二零一九年十二月三十一日，存貨減值總計為人民幣23,135,000元。

吾等之審核如何處理關鍵審核事項

吾等有關存貨減值評估的程序包括：

- 了解 貴集團管理層對存貨減值評估的關鍵控制；
- 參與 貴集團管理層進行的存貨盤點，以評估減值評估所依據的陳舊存貨是否被恰當識別；
- 根據採購及／或生產紀錄抽樣核對存貨賬齡報告；
- 依據賬齡報告及存貨後續變動評估存貨減值的合理性；
- 將存貨現時賬面值與最近售價及／或可變現淨值進行抽樣對比；及
- 依據上文取得的資料評估存貨減值撥備的充足性。

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其他資料

貴公司之董事負責編製其他資料。其他資料包括年報所載之所有資料，惟不包括綜合財務報表及吾等就此之核數師報告。

吾等有關綜合財務報表之意見並不涵蓋其他資料，吾等並不就此發表任何形式之核證結論。

就吾等對綜合財務報表之審核而言，吾等之責任乃閱讀其他資料，從而考慮其他資料是否與綜合財務報表或吾等於審核過程中獲悉的資料存在重大不符，或存在重大錯誤陳述。倘若吾等基於已完成的工作認為其他資料出現重大錯誤陳述，吾等須報告此事實。吾等就此並無須報告事項。

董事就綜合財務報表須承擔的責任

貴公司董事須負責根據香港會計師公會頒佈之香港財務報告準則及香港公司條例之披露規定編製及真實而公允地列報綜合財務報表，並負責董事認為就確保綜合財務報表之編製免受由於欺詐或錯誤而導致的重大錯誤陳述所必需之有關內部控制。

於編製綜合財務報表時，董事須負責評估 貴集團持續經營的能力，並披露與持續經營有關的事項（如適用）。除非董事有意將 貴集團清盤或停止營運，或除此之外並無其他實際可行的辦法，否則董事須採用以持續經營為基礎的會計法。

審核委員會協助董事履行彼等監督 貴集團的財務報告流程之職責。

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核數師就審核綜合財務報表須承擔的責任

吾等之目標為對整體綜合財務報表是否免受由於欺詐或錯誤而導致的重大錯誤陳述取得合理保證並出具包括吾等意見之核數師報告。吾等僅向閣下(作為整體)出具包括吾等意見之核數師報告，除此以外，吾等的報告書不作其他用途。吾等不就本報告之內容向任何其他人士負上或承擔責任。

合理保證為高水平之保證，但並非保證按照香港核數準則進行之審核在某一重大錯誤陳述存在時總能發現。錯誤陳述可由欺詐或錯誤引起，倘合理預期彼等個別或匯總起來可能影響該等綜合財務報表使用者所作出的經濟決策，則有關的錯誤陳述可被視作重大。

吾等根據香港核數準則進行審核的工作之一乃運用專業判斷，在整個審核過程中保持職業懷疑態度。吾等亦：

- 識別及評估是否由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述之風險，設計及執行審核程序以應對該等風險，以及取得充足及適當的審核憑證，作為吾等意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部控制之上，因此未能發現因欺詐而導致之重大錯誤陳述之風險高於因錯誤而導致之重大錯誤陳述之風險。
- 了解與審核相關之內部控制，以設計適當之審核程序，但目的並非對貴集團內部控制之效能發表意見。
- 評價董事所採用會計政策之恰當性及所作出會計估計及相關披露資料之合理性。
- 對貴公司董事採用持續經營會計基礎之恰當性作出結論，並根據所得之審核憑證，決定是否存在與事件或情況有關之重大不確定性，而可能對貴集團持續經營能力構成重大疑慮。倘吾等認為存在重大不確定性，則有必要於核數師報告中提請使用者對綜合財務報表中之相關披露資料之關注。倘有關披露資料不足，則修訂吾等之意見。吾等結論乃基於截至核數師報告日期所取得之審核憑證。然而，未來事件或情況可能導致貴集團無法繼續持續經營。

致友佳國際控股有限公司股東

(於開曼群島註冊成立之有限公司) (續)

核數師就審核綜合財務報表須承擔的責任 (續)

- 評價綜合財務報表(包括披露資料)的整體列報方式、結構及內容,以及綜合財務報表是否公允反映有關交易及事項。
- 就 貴集團內實體或業務活動之財務資料獲取充分及適當之審核證據,以對綜合財務報表發表意見。吾等負責指導、監督及執行集團審核。吾等僅對吾等之審核意見承擔責任。

吾等與審核委員會溝通了(其中包括)計劃之審核範圍、時間安排及重大審核發現等事項,包括吾等於審核期間識別出內部控制之任何重大缺陷。

吾等亦向審核委員會提交聲明,說明吾等已符合有關獨立性之相關職業道德要求,並與彼等溝通所有可能合理地被認為會影響吾等獨立性之關係及其他事項,以及相關防範措施(倘適用)。

從與審核委員會溝通之事項中,吾等決定哪些事項對本期間綜合財務報表的審核最為重要,因而構成關鍵審核事項。吾等會於核數師報告中描述該等事項,惟法律或法規不允許對某事項作出公開披露,或於極端罕見之情況下,若有合理預期於吾等報告中溝通某事項而造成之負面後果將會超過其產生之公眾利益,吾等將不會於此等情況下於報告中溝通該事項。

出具本獨立核數師報告的審計項目合夥人為王德文。

羅申美會計師事務所

執業會計師

香港

二零二零年五月十二日

綜合損益及其他全面收益表

	附註	二零一九年 人民幣千元	二零一八年 人民幣千元
收益	6A	910,695	1,090,693
收益成本	6B	(701,597)	(799,966)
毛利		209,098	290,727
其他收入	7A	157,038	84,483
分銷及銷售費用		(121,928)	(132,609)
行政費用		(71,562)	(64,137)
研發成本		(29,086)	(37,087)
貿易應收賬款及合約資產之減值撥回／(減值虧損)		3,009	(8,875)
其他收益及虧損	7B	(7,547)	(28,321)
其他開支	7C	(22,805)	(87,968)
其他營運費用		(1,297)	(1,458)
財務費用	10	(24,744)	(14,180)
分佔合營企業溢利	19	1,141	2,118
分佔聯營公司虧損	20	(57,089)	(45,423)
除稅前溢利／(虧損)	8	34,228	(42,730)
所得稅開支	11	(22,069)	(14,994)
本公司權益持有人應佔溢利／(虧損)		12,159	(57,724)
其他全面收益：			
可能重新分類至損益的項目：			
換算海外業務產生之匯兌差額		(4,790)	2,664
按公平值計入其他全面收益(「按公平值計入其他全面收益」)			
的應收款項公平值收益淨額		246	1,999
分佔聯營公司其他全面收益	20	12,637	17,228
		8,093	21,891
不會重新分類至損益的項目：			
分佔聯營公司其他全面收益	20	(28,080)	1,021
本公司擁有人應佔全面收益總額		(7,828)	(34,812)
每股盈利／(虧損)(以每股人民幣元列示)	12		
— 基本		0.03	(0.14)
— 攤薄		不適用	不適用
股息	13	—	44,352

綜合財務狀況表

	附註	二零一九年 人民幣千元	二零一八年 人民幣千元
非流動資產			
物業、廠房及設備	15	218,344	204,710
使用權資產	16	124,371	–
預付租賃款項	14	–	120,147
無形資產	17	1,407	2,215
於合營企業的投資	19	21,646	20,505
於聯營公司的投資	20	392,326	331,323
遞延稅項資產	32	27,991	27,520
		786,085	706,420
流動資產			
存貨	24	493,053	524,752
貿易應收賬款及其他應收款項及預付款項	21A	227,096	345,810
合約資產	21B	44,399	46,727
應收貸款	22	48,394	35,627
按公平值計入其他全面收益的應收款項	23	101,945	106,400
預付租賃款項	14	–	2,905
應收同系附屬公司及最終控股公司的聯營公司的款項	40	6,248	23
應收合營企業款項	40	512	461
應收聯營公司及一間聯營公司的附屬公司款項	40	235,155	151,059
限制性銀行結餘	25	106,333	69,987
按公平值計入損益(「按公平值計入損益」)的金融資產		–	108,020
銀行及現金結餘	26	74,860	112,673
		1,337,995	1,504,444

綜合財務狀況表

	附註	二零一九年 人民幣千元	二零一八年 人民幣千元
流動負債			
貿易應付賬款及其他應付款項及應計開支	28	389,300	242,969
合約負債	29	300,336	358,751
遞延收益	33	1,410	–
應付最終控股公司款項	40	157	638
應付直接控股公司款項	40	815	2,832
應付同系附屬公司及最終控股公司的聯營公司款項	40	2,457	3,637
應付合營企業款項	40	380	362
應付一間聯營公司及一間聯營公司的附屬公司款項	40	23,481	28,435
租賃負債	34	2,486	–
訴訟申索撥備	36	60,117	60,117
退貨負債	36	100,903	100,903
即期稅項負債		17,445	21,979
銀行及其他借貸	31	400,071	563,239
保證撥備	30	4,019	5,311
		1,303,377	1,389,173
流動資產淨值			
		34,618	115,271
總資產減流動負債			
		820,703	821,691
非流動負債			
銀行及其他借貸	31	36,760	35,093
遞延收益	33	73,680	70,192
租賃負債	34	1,784	–
		112,224	105,285
資產淨值			
		708,479	716,406
資本及儲備			
股本	27	4,021	4,022
股份溢價		82,183	82,281
資本儲備		77,338	77,338
其他儲備		66,454	58,361
保留盈利		478,483	494,404
總權益			
		708,479	716,406

已於二零二零年五月十二日獲董事會批准，並由下列董事代表簽署：

朱志洋
董事

溫吉堂
董事

綜合權益變動表

	股本 人民幣千元	股份溢價 人民幣千元 (附註a)	資本儲備 人民幣千元 (附註b)	其他儲備 人民幣千元 (附註c)	保留盈利 人民幣千元	總計 人民幣千元
於二零一八年一月一日	4,022	82,281	77,338	36,470	595,459	795,570
年內全面收益總額	-	-	-	21,891	(56,703)	(34,812)
確認為分派之股息(附註13)	-	-	-	-	(44,352)	(44,352)
於二零一八年十二月三十一日及 二零一九年一月一日	4,022	82,281	77,338	58,361	494,404	716,406
年內全面收益總額	-	-	-	8,093	(15,921)	(7,828)
購回及註銷股份(附註27)	(1)	(98)	-	-	-	(99)
於二零一九年十二月三十一日	4,021	82,183	77,338	66,454	478,483	708,479

附註：

a. 股份溢價

根據開曼群島公司法，凡公司不論以現金股份溢價或其他溢價發行股份，均須將一筆與其股份溢價價值總額相等的款額撥入股份溢價賬。動用股份溢價賬受開曼群島公司法規管。根據本公司組織章程大綱及章程細則的規定，本公司股份溢價可分配予股東，惟本公司於緊隨分派後能夠於日常業務過程中支付其到期債務。

b. 資本儲備

資本儲備指於本公司股份於香港聯合交易所有限公司（「聯交所」）上市前本集團進行的公司重組中以本公司已發行股份面值為代價收購的附屬公司實繳股本／股本與股份溢價的差額。

c. 其他儲備

除貨幣換算儲備及按公平值計入其他全面收益之應收款項儲備外，其他儲備包括根據中華人民共和國（「中國」）法定規定設立的一般儲備及法定儲備。

中國法定儲備包括法定盈餘儲備及任意盈餘儲備。

根據中國相關規則及法規，本公司在中國成立的附屬公司須將其10%除稅後溢利（誠如根據中國會計準則及法規所釐定）轉撥至法定盈餘儲備，直至該儲備的結餘達致其各自註冊資本的50%。轉撥至該儲備必須在向該等附屬公司的擁有人分派股息前作出。法定盈餘儲備可用作抵銷過往年度的虧損（如有），並可按現有權益擁有人的權益百分比轉換為股本，惟有關發行後的結餘不得低於其註冊資本的25%。

此外，經股權擁有人批准後，本公司附屬公司可將其10%除稅後溢利（誠如根據中國會計準則及法規所釐定）轉撥至任意盈餘儲備。

綜合現金流量表

	二零一九年 人民幣千元	二零一八年 人民幣千元
經營活動現金流量		
除稅前溢利／(虧損)	34,228	(42,730)
調整：		
預付租賃款項攤銷	–	2,905
無形資產攤銷	824	1,186
物業、廠房及設備折舊	9,006	9,894
使用權資產折舊	5,602	–
存貨減值	667	2,087
利息開支	24,744	14,180
利息收入	(3,842)	(4,496)
出售物業、廠房及設備虧損／(收益)	416	(118)
訴訟申索撥備	–	60,117
貿易應收賬款及合約資產之(減值撥回)／減值虧損	(3,009)	8,875
分佔聯營公司虧損	57,089	45,423
分佔合營企業溢利	(1,141)	(2,118)
銷售退回	–	3,037
未變現匯兌虧損淨額	5,776	25,195
保證費用	2,985	4,983
	99,117	171,150

綜合現金流量表

	二零一九年 人民幣千元	二零一八年 人民幣千元
未扣除營運資金費用前之經營溢利	133,345	128,420
存貨減少	40,742	11,468
貿易應收賬款及其他應收款項及預付款項減少	121,712	20,400
合約資產減少／(增加)	2,339	(254)
按公平值計入其他全面收益的應收款項減少	4,723	–
受限制銀行結餘增加	(36,346)	(37,271)
應收最終控股公司款項減少	–	1,053
應收同系附屬公司及最終控股公司的聯營公司款項 (增加)／減少	(6,225)	1,453
應收合營企業款項(增加)／減少	(51)	391
應收聯營公司及一間聯營公司的附屬公司款項增加	(84,096)	(31,976)
貿易應付賬款及其他應付款項及應計開支增加／(減少)	146,331	(7,382)
合約負債減少	(58,415)	(77,960)
應付最終控股公司款項減少	(141,160)	(6,762)
應付直接控股公司款項(減少)／增加	(2,017)	709
應付合營企業款項增加／(減少)	18	(246)
應付一間聯營公司及一間聯營公司的附屬公司款項減少	(4,954)	(8,892)
應付同系附屬公司及最終控股公司的聯營公司款項減少	(1,180)	(36)
保證撥備減少	(4,277)	(5,427)
遞延收益減少	(3,749)	–
營運所得／(所用)現金	106,740	(12,312)
已繳所得稅及預扣稅	(27,096)	(21,905)
租賃負債利息	(171)	–
經營活動所得／(所用)現金淨額	79,473	(34,217)

綜合現金流量表

	二零一九年 人民幣千元	二零一八年 人民幣千元
投資活動現金流量		
本集團一間聯營公司之附屬公司的一名非控股股東之貸款	(12,767)	(35,627)
收購物業、廠房及設備	(31,571)	(44,922)
出售物業、廠房及設備所得款項	472	519
購買無形資產	(16)	(264)
已收利息	3,842	4,496
提取按公平值計入損益之金融資產	217,655	507,800
購入按公平值計入損益之金融資產	(109,635)	(539,680)
投資活動所得／(所用)現金淨額	67,980	(107,678)
融資活動現金流量		
銀行及其他借貸所得款項	3,708,993	3,390,069
償還銀行借貸	(3,877,937)	(3,184,943)
已收政府補貼	8,647	9,012
租賃付款本金部分	(2,651)	–
已付股息	–	(44,352)
購回股份	(99)	–
已付利息	(24,573)	(14,180)
融資活動(所用)／所得現金淨額	(187,620)	155,606
現金及現金等值物(減少)／增加淨額	(40,167)	13,711
匯率變動之影響	2,354	891
於一月一日的現金及現金等價物	112,673	98,071
於十二月三十一日的現金及現金等價物	74,860	112,673
現金及現金等價物分析		
銀行及現金結餘	74,860	112,673

1. 一般資料

友佳國際控股有限公司（「本公司」）為於開曼群島註冊成立的有限公司。註冊辦事處位於Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands。主要營業地點的地址為香港德輔道中317至319號啟德商業大廈20樓2003室。本公司股份在聯交所主板上市。此外，本公司於二零一零年三月十八日在台灣證券交易所發行及上市67,200,000份台灣存託憑證，相當於本公司67,200,000股新近發行的股份。本公司董事認為，友佳實業（香港）有限公司（「友佳實業香港」）（一間在香港註冊成立的公司）及友嘉實業股份有限公司（「友嘉」）（一間在台灣註冊成立的公司）分別為直接控股公司及最終控股公司。

本公司為一間投資控股公司。其附屬公司之主要業務載於綜合財務報表附註18。

2. 編製基準

該等綜合財務報表乃根據香港會計師公會（「香港會計師公會」）頒佈之所有適用香港財務報告準則（「香港財務報告準則」）編製。香港財務報告準則包括香港財務報告準則（「香港財務報告準則」）；香港會計準則（「香港會計準則」）；及詮釋。該等綜合財務報表亦遵守聯交所證券上市規則（「上市規則」）之適用披露條文及香港公司條例（第622章）之披露規定。本集團已採納之重大會計政策披露如下。

香港會計師公會已頒佈若干於本集團本會計期間首次生效或可供提早採納之新訂及經修訂香港財務報告準則。在該等綜合財務報表中反映之因初次應用該等與本集團有關的變動而引致之當前及過往會計期間會計政策之任何變動詳述於附註3。

3. 採納新訂及經修訂香港財務報告準則

(a) 應用新訂及經修訂香港財務報告準則

香港會計師公會已頒佈新的香港財務報告準則，香港財務報告準則第16號租賃（「香港財務報告準則第16號」），及多項對香港財務報告準則的修定，並於本集團的本會計期間首次生效。

除香港財務報告準則第16號外，概無變動對編製或呈列本集團於本期間或過往期間之業績及財務狀況有重大影響。本集團並無應用任何於本會計期間尚未生效之新訂準則或詮釋。

香港財務報告準則第16號租賃

香港財務報告準則第16號取代香港會計準則第17號租賃（「香港會計準則第17號」）及相關詮釋、香港（國際財務報告詮釋委員會）第4號釐定一項安排是否包含租賃、香港（常設詮釋委員會）第15號經營租賃—激勵措施及香港（準則詮釋委員會）第27號評估涉及法律形式的租賃交易之實質。香港財務報告準則第16號為承租人引入單一會計模式，當中要求承租人就所有租賃確認使用權資產及租賃負債（除租賃期為12個月或以下的租賃及低價值資產租賃外）。

香港財務報告準則第16號項下出租人會計處理方法大致與香港會計準則第17號相同。出租人將繼續按照與香港會計準則第17號類似的原則將租賃分類為經營租賃或融資租賃。因此，香港財務報告準則第16號對本集團作為出租人的租賃並無影響。出租人會計規定乃轉承自香港會計準則第17號，其大致上維持不變。

香港財務報告準則第16號亦引入其他定性及定量披露規定，以便財務報表使用者評估租賃對實體財務狀況、財務表現及現金流量的影響。

本集團已自二零一九年一月一日起首次應用香港財務報告準則第16號。本集團已選用經修訂追溯法，並因而確認首次應用的累積影響作為對於二零一九年一月一日權益期初結餘的調整。本集團概無重列比較資料，並繼續根據香港會計準則第17號呈報。

3. 採納新訂及經修訂香港財務報告準則 (續)

(a) 應用新訂及經修訂香港財務報告準則 (續)

香港財務報告準則第16號租賃 (續)

有關過往會計政策變動的性質和影響及所採用的過渡性選擇的進一步詳情載列如下：

(a) 租賃的新定義

租賃定義的變動主要與控制權的概念有關。香港財務報告準則第16號根據客戶是否在某一時段內控制已識別資產的使用（其可由指定使用量釐定）而對租賃作出定義。當客戶有權指示可識別資產的用途以及從該用途中獲得絕大部分經濟利益時，即表示擁有控制權。

香港財務報告準則第16號內租賃的新定義僅適用於本集團於二零一九年一月一日或之後訂立或變更的合約。就於二零一九年一月一日之前訂立的合約而言，本集團已採用過渡性可行的權宜方法以豁免屬租賃或包含租賃的現有安排的過往評估。因此，先前根據香港會計準則第17號評估為租賃的合約繼續根據香港財務報告準則第16號入賬列為租賃，而先前評估為非租賃服務安排的合約則繼續入賬列為未生效合約。

(b) 承租人會計處理方法及過渡影響

香港財務報告準則第16號剔除先前香港會計準則第17號要求承租人將租賃分類為經營租賃或融資租賃的規定。反之，當本集團為承租人，其須將所有租賃資本化，包括先前根據香港會計準則第17號分類為經營租賃的租賃，惟短期租賃及低價值資產租賃因豁免而除外。

就先前分類為經營租賃的租賃確認租賃負債時，本集團已應用於首次應用日期相關集團實體的增量借貸利率。加權平均承租人的增量借貸利率為每年5.35%。

3. 採納新訂及經修訂香港財務報告準則 (續)

(a) 應用新訂及經修訂香港財務報告準則 (續)

香港財務報告準則第16號租賃 (續)

(b) 承租人會計處理方法及過渡影響 (續)

為方便過渡至香港財務報告準則第16號，本集團於首次應用香港財務報告準則第16號當日應用以下確認豁免及可行權宜方法：

- (i) 選擇不應用香港財務報告準則第16號有關確認租賃負債及使用權資產的規定應用於剩餘租期於首次應用香港財務報告準則第16號當日起計12個月內結束（即租期於二零一九年十二月三十一日或之前結束）的租賃；
- (ii) 就類似經濟環境內相似類別相關資產的類似剩餘租期的租賃組合應用單一貼現率。具體而言，就若干租賃土地及物業租賃折現率乃按組合基準釐定；
- (iii) 根據於首次應用日期的事實及情況使用事後方式為本集團具有延長選擇權的租賃釐定租期；
- (iv) 於計量首次應用日期的使用權資產時撇除初始直接成本；及
- (v) 應用香港會計準則第37號作為減值審閱的替代方法，以評估租賃是否有虧損性。

就計量本集團確認使用權資產及相關租賃負債的租賃交易的遞延稅項而言，本集團首先釐定稅項扣減是否歸屬於使用權資產或租賃負債。

就稅項扣減歸因於租賃負債的租賃交易而言，本集團將香港會計準則第12號*所得稅*（「香港會計準則第12號」）規定分別應用於使用權資產及租賃負債。有關使用權資產及租賃負債的暫時差額，由於應用初步確認豁免，故此不會於初步確認及租賃期內確認。

3. 採納新訂及經修訂香港財務報告準則 (續)

(a) 應用新訂及經修訂香港財務報告準則 (續)

香港財務報告準則第16號租賃 (續)

(b) 承租人會計處理方法及過渡影響 (續)

下表載列於二零一八年十二月三十一日之經營租賃承擔 (誠如附註37(b)所披露者) 與於二零一九年一月一日已確認租賃負債之期初結餘之對賬:

	人民幣千元
於二零一八年十二月三十一日披露的經營租賃承擔	6,245
減: 與獲豁免資本化租賃有關的承擔:	
— 短期租賃及其他剩餘租期於二零一九年十二月三十一日或之前終止的租賃	(2,683)
	3,562
減: 未來利息開支總額	(240)
於二零一九年一月一日採用增量借貸利率貼現的餘下租賃付款現值及 於當日確認的租賃負債	3,322
其中:	
流動租賃負債	1,975
非流動租賃負債	1,347
	3,322

先前分類為經營租賃之租賃相關使用權資產已按相等於餘下租賃負債的已確認金額之金額確認, 並按與於二零一八年十二月三十一日之綜合財務狀況表確認之租賃有關之任何預付或應計租賃付款金額進行調整。

3. 採納新訂及經修訂香港財務報告準則 (續)

(a) 應用新訂及經修訂香港財務報告準則 (續)

香港財務報告準則第16號租賃 (續)

(b) 承租人會計處理方法及過渡影響 (續)

已付可退回租賃按金根據香港財務報告準則第9號金融工具(「香港財務報告準則第9號」)入賬，初步按公平值計量。於初步確認時對公平值的調整被視為額外租賃付款並計入使用權資產成本。

就採納香港財務報告準則第16號對先前分類為融資租賃的租賃的影響而言，除更改結餘說明文字外，本集團無須於首次應用香港財務報告準則第16號之日作出任何調整。因此，該等款項乃計入「租賃負債」而非「應付融資租賃款項」，且相應租賃資產經折舊的賬面值被識別為使用權資產。權益期初結餘則未受到任何影響。

下表概述採納香港財務報告準則第16號對本集團綜合財務狀況表的影響：

受採納香港財務報告準則第16號 影響的綜合財務狀況表的項目	附註	採納香港財務報告準則第16號的影響			於二零一九年 一月一日 的賬面值 人民幣千元
		於二零一八年 十二月三十一日 的賬面值 人民幣千元	重新分類 人民幣千元	租賃確認 人民幣千元	
資產					
使用權資產		-	123,052	3,322	126,374
預付土地租賃款項(附註14)	(i)	123,052	(123,052)	-	-
負債					
租賃負債		-	-	(3,322)	(3,322)

附註：

- (i) 中國自用物業的租賃土地預付款項於二零一八年十二月三十一日分類為預付土地租賃款項。應用香港財務報告準則第16號後，預付土地租賃款項分別為人民幣2,905,000元及人民幣120,147,000元的流動及非流動部分分類為使用權資產。

3. 採納新訂及經修訂香港財務報告準則 (續)

(a) 應用新訂及經修訂香港財務報告準則 (續)

香港財務報告準則第16號租賃 (續)

(c) 對本集團的財務業績及現金流量的影響

於二零一九年一月一日初步確認使用權資產及租賃負債後，本集團作為承租人須確認租賃負債未償還結餘所產生的利息開支及使用權資產折舊，而不是以前的政策按直線法在租賃期內確認經營租賃產生的租賃費用。與本年度應用香港會計準則第17號的業績相比，這對本集團綜合損益表所呈報經營溢利產生正面影響。

在綜合現金流量表中，本集團作為承租人需要將根據資本化租賃支付的租金分成本金要素及利息要素（附註35(a)）。該等要素分別分類為融資現金流出及經營現金流出。雖然總現金流量未受影響，但採納香港財務報告準則第16號將導致綜合現金流量表內現金流量的呈列出現重大變動（附註35(b)）。

下表顯示採納香港財務報告準則第16號對本集團截至二零一九年十二月三十一日止年度之財務業績及現金流量之估計影響，方法為調整該等綜合財務報表中根據香港財務報告準則第16號所呈報之金額以計算根據香港會計準則第17號應確認之估計假設金額（倘該被取代準則而非香港財務報告準則第16號於二零一九年繼續適用），以及將二零一九年之該等假設金額與二零一八年根據香港會計準則第17號編製之實際相應金額進行比較。

	二零一九年			二零一八年	
	根據香港 財務報告準則 第16號呈報 之金額 人民幣千元	加回：香港 財務報告準則 第16號下的 折舊及 利息開支 人民幣千元	扣除：有關 經營租賃之 估計金額 （猶如根據 香港會計準則 第17號） （附註1） 人民幣千元	二零一九年之 假設金額 （猶如根據香港 會計準則 第17號） 人民幣千元	與二零一八年 根據香港會計 準則第17號呈報 之金額比較 人民幣千元
受採納香港財務報告準則 第16號影響之截至二零一九年 十二月三十一日止年度之 財務業績：					
除財務費用及稅前溢利／（虧損）	58,972	5,602	(5,727)	58,847	(28,550)
財務費用	(24,744)	171	-	(24,573)	(14,180)
除稅前溢利／（虧損）	34,228	5,773	(5,727)	34,274	(42,730)
年內溢利／（虧損）	12,159	5,773	(5,727)	12,205	(57,724)

3. 採納新訂及經修訂香港財務報告準則 (續)

(a) 應用新訂及經修訂香港財務報告準則 (續)

香港財務報告準則第16號租賃 (續)

(c) 對本集團的財務業績及現金流量的影響 (續)

	二零一九年		二零一八年	
	根據香港 財務報告準則 第16號呈報 之金額 人民幣千元	有關經營租賃 之估計金額 (猶如根據香港 會計準則第17號) (附註2) 人民幣千元	二零一九年之 假設金額 (猶如根據 香港會計準則 第17號) 人民幣千元	與二零一八年 根據香港 會計準則 第17號呈報之 金額比較 人民幣千元
受採納香港財務報告準則 第16號影響之截至 二零一九年十二月三十一日 止年度之綜合現金流量表 項目：				
營運所得／(所用)現金	106,740	(2,822)	103,918	(12,312)
已付租賃租金之利息要素	(171)	171	—	—
經營活動所得／(所用) 現金淨額	79,473	(2,651)	76,822	(34,217)
已付租賃租金之資本要素	(2,651)	2,651	—	—
融資活動(所用)／所得 現金淨額	(187,620)	2,651	(184,969)	155,606

附註1：「與經營租賃有關的估計金額」指與在香港會計準則第17號於二零一九年仍然適用之情況下會分類為經營租賃之租賃有關的二零一九年現金流量之金額估計。該估計假設，在香港會計準則第17號於二零一九年仍然適用之情況下，租金與現金流量之間並無差異及二零一九年訂立的所有新租賃已分類為經營租賃。任何潛在淨稅項影響均忽略不計。

附註2：在此影響表中，該等現金流出由融資重新分類至經營，以計算在香港會計準則第17號仍然適用之情況下，經營業務所產生之現金淨額以及融資活動所用之現金淨額之假設金額。

3. 採納新訂及經修訂香港財務報告準則 (續)

(b) 已頒佈但尚未生效的新訂及經修訂香港財務報告準則

本集團並無提早應用已頒佈但尚未於二零一九年一月一日開始之財政年度生效的新訂及經修訂香港財務報告準則。該等新訂及經修訂香港財務報告準則包括下列各項可能與本集團有關的準則。

	於以下日期或 之後開始之 會計期間生效
香港財務報告準則第3號(修訂本)業務的定義	二零二零年一月一日
香港會計準則第1號及香港會計準則第8號(修訂本)重大性的定義	二零二零年一月一日
香港財務報告準則第9號、香港會計準則第39號及 香港財務報告準則第7號(修訂本)利率基準改革	二零二零年一月一日

本集團正評估該等修訂及新訂準則於首次應用期間之預期影響。直到目前為止，本集團認為採納該等修訂及新訂準則不太可能對綜合財務報表產生重大影響。

4. 主要會計政策

除非下文會計政策另有所述(即若干金融工具按公平值計量)，否則該等綜合財務報表已按歷史成本慣例編製。

編製符合香港財務報告準則的財務報表須運用若干主要會計估計，在應用本集團會計政策的過程中亦須管理層作出判斷。涉及較高程度判斷或複雜性的範疇或假設及估計對綜合財務報表屬重大的範疇於附註5披露。

4. 主要會計政策 (續)

於編製此等綜合財務報表時應用之重要會計政策載列如下。

(a) 合併

綜合財務報表包括本公司及其附屬公司直至十二月三十日止之財務報表。附屬公司指本集團擁有控制權之實體。當本集團承受或享有參與實體所得之可變回報，且有能力透過其對實體之權力影響該等回報時，則本集團控制該實體。當本集團之現有權力賦予其目前掌控有關業務（即大幅影響實體回報之業務）之能力時，則本集團對該實體擁有權力。

在評估控制權時，本集團會考慮其潛在投票權以及其他人士持有之潛在投票權，以釐定其是否擁有控制權。僅在持有人能實際行使潛在投票權之情況下，方會考慮其權利。

附屬公司之賬目由其控制權轉至本集團當日起綜合入賬，直至控制權終止之日起不再綜合入賬。

致使控制權喪失之出售一間附屬公司之盈虧為(i)出售代價公平值加於該附屬公司保留之任何投資之公平值，及(ii)本公司應佔該附屬公司之淨資產加任何有關該附屬公司之餘下商譽以及任何有關累計外幣匯兌儲備兩者之間之差額。

集團內公司間之交易、結餘及未變現溢利予以對銷。除非交易提供已轉讓資產出現減值之憑證，未變現虧損亦予以對銷。附屬公司之會計政策在必要時會作出更改，以確保與本集團所採納之政策一致。

溢利或虧損及其他全面收益各部分歸屬本公司擁有人。

本公司於附屬公司之所有權之變動（不會導致失去控制權）作為股本交易入賬（即與擁有人（以彼等之擁有人身份）進行交易）。控股及非控股權益之賬面值經調整以反映其於附屬公司相關權益之變動。非控股權益被調整之金額與已付或已收代價公平值之間之任何差額須直接於權益內確認並歸屬於本公司擁有人。

於本公司財務狀況表內，於附屬公司之投資乃按成本減減值虧損列賬。

4. 主要會計政策 (續)

(b) 聯營公司

聯營公司指本集團擁有控制權之實體。重大影響力指有權參與投資對象之財務及經營決策，而非對該等政策擁有控制權或共同控制權。於評估本集團有否具有重大影響力時，將會考慮現時可予行使或轉換之潛在投票權（包括其他實體所持有之潛在投票權）之存在及影響。於評估潛在投票權是否對重大影響力有所影響時，持有之動機及有否財政能力行使或轉換該權利均不予考慮。

於聯營公司之投資乃採用權益會計法於綜合財務報表入賬，且初步按成本確認。所收購聯營公司之可識別資產及負債乃按其於收購當日之公允值計量。倘收購成本超出本集團分佔聯營公司之可識別資產及負債之公允淨值，則有關差額將以商譽入賬。商譽乃計入投資之賬面值，並於有客觀證據顯示該項投資已減值時於各報告期末連同該項投資進行減值測試。倘本集團分佔可識別資產及負債之公允淨值高於收購成本，則有關差額將於綜合損益確認。

本集團分佔聯營公司收購後溢利或虧損於綜合損益確認，而其分佔收購後儲備變動於綜合儲備確認。收購後之累計變動於投資之賬面值作出調整。倘本集團分佔聯營公司虧損相等於或多於其於聯營公司之權益（包括任何其他無抵押應收款），則本集團不會進一步確認虧損，除非其已產生責任或代聯營公司付款。倘聯營公司其後錄得溢利，則本集團僅於其分佔溢利相等於其分佔未確認之虧損後，方會恢復確認其分佔之該等溢利。

出售一間聯營公司致使重大影響力喪失之盈虧為(i)出售代價公平值加上於該聯營公司保留的任何投資的公平值與(ii)本集團分佔該聯營公司的資產淨值加上任何有關該聯營公司的餘下商譽以及任何有關累計外幣匯兌儲備兩者之間的差額。倘一項於一間聯營公司的投資變為於一間合營企業的投資。本集團將繼續應用權益法並不再重新計量保留權益。

本集團與其聯營公司間之交易之未變現溢利，按本集團於聯營公司之權益對銷。除非交易提供證據證明所轉讓之資產出現減值，否則未變現虧損亦予以對銷。聯營公司之會計政策已於有需要時作出變動，以確保與本集團所採納之政策一致。

4. 主要會計政策 (續)

(c) 合營安排

合營安排是由兩方或以上擁有共同控制的安排。共同控制權乃經合約同意一項安排的控制權分享，共同控制權僅於分享控制權各方一致同意有關相關活動的決策時存在。相關活動是指對安排之回報有重大影響之活動。在評估共同控制權時，本集團會考慮其潛在投票權以及其他人士持有的潛在投票權。在持有人能實際行使潛在投票權的情況下，方會考慮其權利。

合營安排可分為共同經營和合營企業。共同經營為一項合營安排，據此對安排擁有共同控制權的各方對該安排的資產及負債享有權利及負有義務。合營企業指一項合營安排，據此對安排擁有共同控制權的各方對安排之資產淨值擁有權利。本集團已評估其各項共同安排之種類並釐定該等安排全屬合營企業。

於一家合營企業的投資按權益法於綜合財務報表內列賬，最初按成本確認。所收購合營企業的可識別資產及負債按收購日期的公平值計量。收購成本超出本集團應佔合營企業可識別資產及負債公平淨值的數額作為商譽入賬。商譽列入投資的賬面值，並於出現客觀憑證顯示該項投資已減值時於各報告期末與該項投資一併接受減值測試。本集團應佔可識別資產及負債公平淨值超出收購成本的差額於綜合損益內確認。

本集團應佔合營企業的收購後利潤或虧損及其他全面收益於綜合損益及其他全面收益表確認。倘本集團應佔合營企業虧損相等於或多於其於合營企業之權益（包括任何實質上構成本集團於合營企業投資淨額一部分之長期權益），則本集團不進一步確認虧損，除非本集團已產生責任或代合資企業付款。倘聯合營企業其後錄得利潤，則本集團僅於其應佔利潤相等於其應佔未確認之虧損後，方會恢復確認其應佔之該等利潤。

出售一家合營企業（導致失去共同控制權）之收益或虧損指(i)出售代價的公平值連同於該合營企業任何保留投資的公平值與(ii)本集團於該合營企業的全部賬面值（包括商譽）以及任何相關累計外幣換算儲備兩者間差額。倘於合營企業之投資變成於聯營公司之投資，本集團會繼續應用權益法且不會重新計量保留權益。

4. 主要會計政策 (續)

(c) 合營安排 (續)

對銷本集團與其合營企業間交易之未變現利潤乃以本集團於合營企業之權益為限；除非交易提供憑證顯示所轉讓資產出現減值，否則未變現虧損亦予以對銷。合營企業之會計政策已於有需要時作出變動，以確保與本集團所採納之政策貫徹一致。

於本公司財務狀況表中，於合營企業之投資乃按成本減減值虧損列賬。

(d) 外幣換算

(i) 功能及呈列貨幣

本集團旗下各實體之財務報表所列之項目採用該實體經營所在主要經濟環境之貨幣（「功能貨幣」）計量。綜合財務報表以人民幣（「人民幣」）呈列，而人民幣為本公司之功能及呈列貨幣。

(ii) 各實體財務報表內之交易及結餘

外幣交易於首次確認時按交易當日之匯率換算為功能貨幣。以外幣計值之貨幣資產及負債按各報告期末之匯率予以換算。因此換算政策所產生之收益及虧損於損益內確認。

以公平值計量及外幣計值的非貨幣項目按釐定公平值當日之匯率換算。

當非貨幣項目的收益或虧損於其他全面收益確認時，任何收益或虧損匯兌部分將於其他全面收益中確認。當非貨幣項目的收益或虧損於損益確認時，任何該收益或虧損匯兌部分將於損益確認。

4. 主要會計政策 (續)

(d) 外幣換算 (續)

(iii) 綜合賬目時換算

所擁有之功能貨幣與本公司之呈列貨幣不同之本集團所有實體之業績及財務狀況乃按下列方式換算為本公司之呈列貨幣：

- 各財務狀況表所列之資產及負債按財務狀況表日期之收市匯率換算；
- 收入及支出均按期內平均匯率換算，除非該平均值並非為按於交易日期之現行匯率累計影響之合理近似值，在此情況下，收入及支出按交易日期匯率換算；及
- 產生的所有匯兌差額於其他全面收益確認，並於外幣匯兌儲備累計。

綜合賬目時，換算屬於海外實體投資淨額一部分的貨幣項目所產生的匯兌差額，均於其他全面收益確認，並於外幣匯兌儲備累計。當海外業務售出，該匯兌差額重新分類至綜合損益作為出售收益或虧損的一部分。

收購海外實體所產生的商譽及公平值調整作為海外實體的資產及負債處理，並按收市匯率換算。

(e) 物業、廠房及設備及使用權資產

持有作生產或提供貨品或服務或作行政用途之物業、廠房及設備（包括樓宇及租賃土地（於二零一九年一月一日應用香港財務報告準則第16號後，租賃土地之利息重新分類至使用權資產，見附註3），惟不包括下文所述在建物業）按成本減其後累計折舊及其後累計減值虧損（如有）於綜合財務狀況表列賬。

其後成本僅於與該項目相關之未來經濟利益可能流入本集團，且該項目之成本能可靠地計量時，方計入資產之賬面值或確認為獨立資產（如適用）。所有其他維修及保養於產生之期間在損益確認。

4. 主要會計政策 (續)

(e) 物業、廠房及設備及使用權資產 (續)

物業、廠房及設備之折舊按足以撇銷其成本減其剩餘價值之比率，於估計可使用年期內使用直線法計算。主要年率如下：

樓宇	20年
機械及設備	10年
辦公及電腦設備	3-5年
汽車	4年

本集團於各報告期末檢討及調整（如適用）剩餘價值、可使用年期及折舊方法。

在建工程指在建樓宇以及待安裝之機器及設備，以成本減去減值虧損列賬。折舊於相關資產可供使用時開始計算。

出售物業、廠房及設備之收益或虧損為出售所得款項淨額與相關資產賬面值兩者間之差額，並於損益確認。

(f) 租賃

於合約成立時，本集團會評估合約是否為租賃或包含租賃。倘合約賦予在一段時間內控制已識別資產使用的權利以換取代價，則合約為租賃或包含租賃。倘客戶有權主導已識別資產之用途及從該用途中獲得絕大部份經濟收益，則控制權已轉移。

(i) 本集團作為承租人

自二零一九年一月一日起適用之政策

倘合約包含租賃組成部分及非租賃組成部分，本集團已選擇不分開處理非租賃組成部分，並就所有租賃將各租賃組成部分及任何相關非租賃組成部分入賬為單一租賃組成部分。

於租賃開始日期，本集團確認使用權資產及租賃負債，惟租賃期為12個月或以下的短期租賃以及低價值資產租賃（就本集團而言，主要為辦公室）除外。當本集團就低價值資產訂立租賃時，本集團按逐項租賃情況決定是否將租賃資本化。而與該等不作資本化租賃相關的租賃付款於租賃期內按系統基準確認為開支。

4. 主要會計政策 (續)

(f) 租賃 (續)

(i) 本集團作為承租人 (續)

自二零一九年一月一日起適用之政策 (續)

倘租賃已資本化，租賃負債初步按租期內應付租賃款項現值確認，並按租賃中所內含之利率貼現，倘該利率不易釐定，則使用相關增量借貸利率。初步確認後，按攤銷成本計量租賃負債及使用實際利率法計量利息開支。計量租賃負債時，並不包括不依賴某個指數或利率之可變租賃款項，因此計入其所產生會計期間之損益內。

於租賃資本化時確認之使用權資產初步按成本計量，其中包括租賃負債之初步金額加上於開始日期或之前作出之任何租賃付款，以及產生之任何初步直接成本。於適用情況下，使用權資產成本亦包括拆除及移除相關資產或恢復相關資產或該資產所在地之估計成本，折現至其現值再減去任何已收租賃優惠。使用權資產其後按成本減累計折舊及減值虧損列賬，惟符合投資物業定義之使用權資產按公平值列賬。

本集團合理確定於租期結束時將取得相關租賃資產所有權的使用權資產自開始日期起至可使用年期結束時計提折舊。否則，使用權資產於其估計可使用年期及租期（以較短者為準）按直線法折舊。

已付可退還租賃按金根據香港財務報告準則第9號入賬，並初步按公平值計量。於初步確認時對公平值的調整被視為額外租賃付款，並計入使用權資產成本。

4. 主要會計政策 (續)

(f) 租賃 (續)

(i) 本集團作為承租人 (續)

自二零一九年一月一日起適用之政策 (續)

倘因指數或利率變化引致未來租賃付款出現變動，或本集團預期根據剩餘價值擔保應付的估計金額發生變化，或就本集團是否合理確定將行使購買、續租或終止選擇權的有關重新評估發生變化，則租賃負債將重新計量。倘以此方式重新計量租賃負債，則應當對使用權資產的賬面值進行相應調整，而倘使用權資產的賬面值已調減至零，則應於損益中列賬。

本集團於綜合財務狀況表分開呈列不符合投資物業定義的使用權資產及租賃負債。

二零一九年一月一日前的政策

於比較期間，倘租賃轉移所有權絕大部分之風險及回報至本集團，則本集團作為承租人將有關租賃分類為融資租賃。倘租賃並無將所有權絕大部分風險及回報轉移至本集團，則分類為經營租賃，惟另行符合投資物業定義的以經營租賃持有的物業若進行分類，則按個別物業基準分類為投資物業。

倘本集團獲得融資租賃項下資產的使用權，則會將相當於租賃資產公平值的金額或該資產的最低租賃付款現值（以較低者為準）確認為物業、廠房及設備，而扣除融資費用後的相應負債則入賬為融資租賃承擔。折舊乃於相關租賃期（或倘本集團有可能取得資產的所有權，則於資產的可使用年期）內，按撇銷資產成本或估值的比率作出撥備。租賃付款隱含的融資費用於租賃期內於損益扣除，以使各會計期間的融資費用佔承擔餘額的比率大致相同。或然租金在產生的會計期間於損益扣除。

倘本集團擁有根據經營租賃持有的資產使用權，則根據租賃作出的付款會在租賃期所涵蓋的會計期間內，以等額分期在損益中扣除，惟倘有其他基準更能清楚反映租賃資產所產生的收益模式則除外。所取得的租賃優惠在損益中確認為租賃淨付款總額的不可或缺部分。或然租金在產生的會計期間於損益扣除。

4. 主要會計政策 (續)

(f) 租賃 (續)

(ii) 本集團作為出租人

倘本集團作為出租人，其於租賃開始時釐定各租賃為融資租賃或經營租賃。倘租賃轉移相關資產所有權附帶之絕大部分風險及回報至承租人，則租賃分類為融資租賃。否則，租賃分類為經營租賃。

(g) 無形資產

(i) 研發費用

研究活動的開支於產生的期間確認為開支。

(ii) 獨立收購之無形資產

獨立收購之具有有限可使用年期的無形資產按成本減累計攤銷及任何累計減值虧損入賬。具有有限可使用年期的無形資產的攤銷按直線基準於其估計可使用年期確認。估計可使用年期及攤銷法於各報告期末檢討，估計的任何變動的影響按前瞻基準入賬。

所購置的電腦軟件許可證根據購置及使用該特定軟件所產生的成本資本化。該等成本按其估計可使用年期(3至5年)攤銷。

無形資產於出售或當預期使用或出售不會帶來未來經濟利益時取消確認。取消確認無形資產所產生收益或虧損按出售所得款項淨額與資產賬面值之差額計量並於取消確認資產時於損益中確認。

(h) 非金融資產減值

非金融資產的賬面值於各報告日期檢討有無減值跡象，倘資產已減值，則作為開支透過綜合損益表撇減至其估計可收回金額。可收回金額就個別資產釐定，除非資產並無產生大部分獨立於其他資產或資產組合的現金流入則除外。在此情況下，可收回金額就資產所屬的現金產生單位釐定。可收回金額按個別資產或現金產生單位的使用價值與其公平值減出售成本兩者中的較高者計算。

4. 主要會計政策 (續)

(h) 非金融資產減值 (續)

使用價值為資產／現金產生單位估計未來現金流量的現值。現值按反映貨幣時間價值及資產／現金產生單位(已計量減值)的特有風險的稅前貼現率計算。

現金產生單位之減值虧損首先用於抵銷單位商譽，然後於現金產生單位之其他資產之間按比例分配。隨後估計變動導致之可收回金額增加計入損益，直至撥回減值。

(i) 存貨

存貨按成本及可變現淨值兩者的較低者列賬。成本以加權平均基準釐定。製成品及在製品之成本包括原材料、直接人工及所有生產經常性開支之適當部分及(如適用)分包費用。可變現淨值按一般業務過程中估計的銷售價格減去的估計完工成本及估計銷售所需費用計算。

(j) 合約資產及合約負債

合約資產於本集團根據合約所載的付款條件無條件收取代價前確認收益時確認。合約資產根據附註4(y)所載的政策評估預期信貸虧損，並於有權無條件收取代價時重新分類為應收款項。

合約負債於本集團確認相關收益前客戶支付代價時確認。倘本集團在確認相關收益前有權無條件收取代價，亦會確認合約負債。於該等情況下亦會確認相應的應收款項。

對於與客戶簽訂之單獨合約，應以淨合約資產或淨合約負債列報。對於多項合約，無關聯合約的合約資產及合約負債不以淨值基準進行列報。

倘合約包括重大融資部分，合約結餘包括按實際利息法計算的應計利息。

4. 主要會計政策 (續)

(k) 確認及終止確認金融工具

當本集團實體成為工具合約條文之訂約方時，會於綜合財務狀況表內確認金融資產及金融負債。

金融資產及金融負債初步按公平值計量。直接歸屬於收購或發行金融資產及金融負債（按公平值計入損益的金融資產及金融負債除外）的交易成本，於初始確認時計入金融資產或金融負債公平值或自該等公平值中扣除（如適用）。直接歸屬於收購按公平值計入損益的金融資產或金融負債的交易成本，即時於損益中確認。

本集團僅於自金融資產產生現金流量的合約權利到期時，或於其將金融資產以及該資產絕大部分的所有權風險及回報轉讓予其他實體時終止確認該資產。倘本集團並未轉讓亦未保留絕大部分所有權風險及回報並繼續控制已轉讓資產，則本集團確認其於該資產的保留權益並就其可能支付的金額確認相關負債。倘本集團保留已轉讓金融資產的絕大部分所有權風險及回報，則本集團繼續確認該金融資產並亦就已收到的所得款項確認一項有抵押借貸。

本集團於且僅於本集團的責任獲履行、取消或已到期時終止確認金融負債。終止確認的金融負債賬面值與已付及應付代價（包括任何已轉讓的非現金資產或已承擔的負債）之差額於損益中確認。

(l) 金融資產

所有以常規方式購買或出售之金融資產均於交易日期確認及終止確認。以常規方式買賣為要求於市場法規或慣例所確定之時間框架內交付資產的金融資產買賣。所有已確認金融資產後續根據金融資產的分類以其整體按攤銷成本或公平值計量。

債務投資

本集團持有的債務投資可分類為以下其中一個計量類別：

- 攤銷成本，條件為持有投資旨在收取合約現金流量，即純粹為支付本金及利息。投資利息收入採用實際利率法計算。

4. 主要會計政策 (續)

(l) 金融資產 (續)

債務投資 (續)

- 按公平值計入其他全面收益—可撥回，條件為投資之合約現金流量包括純粹為支付本金及利息，且持有投資的業務模式同時以收回合約現金流量及出售該投資為目標。公平值變動於其他全面收益內確認，惟預期信貸虧損、利息收入（按實際利率法計算）及外匯收益及虧損於損益內確認除外。當投資終止確認時，於其他全面收益累計的金額由權益撥回至損益。
- 按公平值計入損益，條件為投資不符合按攤銷成本或按公平值計入其他全面收益（可撥回）的計量標準。投資公平值變動（包括利息）於損益確認。

(m) 貿易應收賬款及其他應收賬款

應收賬款於本集團具無條件收取代價的權利時予以確認。倘代價僅隨時間推移即會成為到期應付，則收取代價的權利為無條件。倘於本集團具無條件收取代價權利之前已確認為收入，則有關金額入賬列為一項合約資產。

應收賬款採用實際利率法按攤銷成本減信貸虧損撥備列賬。

(n) 現金及現金等值物

現金及現金等值物包括銀行存款及手頭現金、銀行及其他金融機構的活期存款以及可隨時兌換為已知數額現金的短期高流動性投資（該等投資所面對的價值變動風險並不重大，並於購入起計三個月內到期）。現金及現金等值物均進行預期信貸虧損評估。

(o) 借貸

借貸初步按公平值扣除已產生的交易成本確認，其後採用實際利率法按攤銷成本計量。

除非本集團具無條件權利延遲負債結算至報告期後至少十二個月，否則借貸分類為流動負債。

4. 主要會計政策 (續)

(p) 金融負債及權益工具

金融負債及權益工具乃根據合約安排訂立之實質內容以及香港財務報告準則中金融負債及權益工具之定義予以分類。權益工具指證明實體於本集團扣除其所有負債後之資產剩餘權益之任何合約。就特定類別之金融負債及權益工具採納之會計政策於下文載列。

權益工具

權益工具指證明實體於扣除其所有負債後之資產剩餘權益之任何合約。本公司發行之權益工具按已收取所得款項扣除直接發行成本列賬。

金融負債

金融負債(包括貿易應付賬款及其他應付款項、應付最終控股公司款項、應付直接控股公司款項、應付同系附屬公司及最終控股公司的聯營公司款項、應付一間聯營公司及一間聯營公司的附屬公司款項、應付合營企業款項及銀行及其他借貸)其後採用實際利率法按攤銷成本計量。

(q) 財務擔保合約

財務擔保合約在擔保發行時確認為金融負債。負債初步按公平值計量，其後則按下列較高者計量：

- 根據香港財務報告準則第9號的預期信貸虧損模式釐定的金額；及
- 初步確認的金額減去(如適用)根據香港財務報告準則第15號「客戶合約收益」(「香港財務報告準則第15號」)的原則確認的累計收入金額。

財務擔保的公平值釐定為債務工具項下的合約付款與在並無擔保下將須作出的付款之間的現金流量之差額的現值，或就承擔責任而可能須支付給第三方的估計金額。

倘提供有關與聯營公司的貸款或其他應付款項的擔保為無補償，則公平值作為供款入賬，並確認為投資成本的一部分。

(r) 貿易應付賬款及其他應付款項

貿易應付賬款及其他應付款項初步按公平值確認，其後則採用實際利率法按攤銷成本計量，除貼現影響微小則作別論，在此情況下，則按成本列賬。

(s) 保證

倘客戶並無選擇單獨購買一項保證，本集團按照香港會計準則第37號「撥備、或有負債及或有資產」計入保證，除非保證在除保證產品符合協定的規格外已為客戶提供一項服務(即服務型擔保)。

就服務型保證而言，承諾服務為一項履約義務。在此情況下，本集團分配交易價的一部分至保證。

4. 主要會計政策 (續)

(t) 收益及其他收入

當產品或服務的控制權轉移至客戶時，按本集團預期享有的承諾代價金額確認收益，不包括代表第三方收取的款項。收益不包括增值稅或其他銷售稅，並已扣除任何貿易折扣。

就工具機及叉車的收入而言，本集團管理層已評估銷售合約相關貨物之控制權已於交付、所有權轉移及客戶檢查及接收貨品時轉移。

就停車設備的收入而言，本集團管理層已評估合約條款及中國法規環境，並認為相關履約責任並不符合隨時間確認標準，因此本集團之停車設備收益於客戶取得明確貨品之控制權的時間點予以確認。

就工具機、停車設備及叉車而言，客戶通常須於本集團開展工作前預先支付合約總金額30%，此將在合約開始時產生合約負債。於生產停車設備過程中，客戶將通常須作出進度付款。一般而言，客戶將須於本集團安裝停車設備至客戶指定地點前支付不少於合約總金額80%。就工具機而言，客戶將須於本集團運送工具機至客戶指定地點前支付不少於合約總金額90%。就叉車而言，客戶通常須於本集團運送叉車至客戶指定地點前支付全部合約總金額。倘客戶滿意停車設備安裝及簽收工具機及叉車，其將向本集團發出承兌票據。本集團通常於安裝停車設備及發出最終承兌票據後提供一至兩年的保證期。本集團通常授予其客戶30至180天之信貸期。

利息收入乃採用實際利率法於其產生時予以確認。就並無信貸減值而按攤銷成本或按公平值計入其他全面收益(可撥回)計量之金融資產而言，對資產賬面總值應用實際利率。就信貸減值金融資產而言，對資產攤銷成本(即賬面總值扣除虧損撥備)應用實際利率。

經營租賃的應收租金收入在租賃期所涵蓋期間內以等額在損益中確認，惟倘另有一種方法更能代表使用租賃資產所產生的收益模式則除外。授予的租賃優惠在損益中確認為應收租賃淨付款總額的組成部分。不取決於某一指數或比率的可變租賃付款額於其賺取的會計期間確認為收入。

4. 主要會計政策 (續)

(u) 僱員福利

(i) 僱員應享假期

僱員可享有之年假及長期服務假期乃在其權利產生時確認。本集團為截至報告期末僱員已提供之服務而產生之年假及長期服務假期之估計負債作出撥備。

僱員可享有之病假及產假直至僱員正式休假時方予確認。

(ii) 退休福利計劃

根據香港強制性公積金計劃條例，本集團會為所有香港合資格僱員參與強制性公積金計劃（「強積金計劃」）。本集團於強積金計劃供款為每名僱員每月的薪金及工資的5%，並設有最高供款金額，並於注資予強積金計劃時全數歸屬予僱員。

本集團在中國成立之附屬公司之僱員為當地市政府設立之中央退休金計劃之成員。此等附屬公司需要按僱員基本薪金和工資之若干百分比對中央退休金計劃供款，以便為退休福利提供資金。當地市政府承諾承擔該等附屬公司所有現有和未來之退休員工之退休福利責任。此等附屬公司對於中央退休金計劃之唯一義務是支付該計劃項下之所需供款。

自損益賬扣除的退休福利計劃成本相當於本集團就基金應付的供款。

(iii) 離職福利

離職福利於本集團不能撤回提供該等福利時及本集團確認重組成本並涉及支付離職福利時（以較早日期為準）確認。

4. 主要會計政策 (續)

(v) 借貸成本

直接歸屬於收購、興建或生產合資格資產（指必須經較長一段時間處理以作其擬定用途或銷售的資產）的借貸成本乃加入該等資產的成本內，直至資產大致上備妥供作其擬定用途或銷售為止。從特定借貸待支付合資格資產之費用前而作出之短暫投資所賺取之投資收入乃從合資格資本化之借貸成本中扣除。

就於一般情況及用作取得合資格資產而借入之資金而言，合資格資本化之借貸成本金額乃按用於該資產之費用資本化比率計算。資本化比率為適用於本集團該期間內尚未償還借貸（不包括就取得合資格資產而借入之特定借貸）之加權平均借貸成本，自二零一九年一月一日起生效，於相關資產可按擬定用途或銷售後的任何尚未償還的特定借貸計入總借貸，以其計算總借貸的資本化率。

所有其他借貸成本於其產生的期間於損益中確認。

(w) 政府補貼

當能夠合理保證本集團符合補貼的附帶條件，且會獲授政府補貼時，方會確認政府補貼。

有關收入的政府補助將予以遞延，並將於配合擬補助的成本的期間內在損益內確認。

因已產生的開支或虧損或向本集團提供即時財務支持成為應收補償且並無日後相關成本的政府補助，乃於其成為應收款項的期間在損益確認。

有關購買資產之政府補貼錄為遞延收入及按直線法於相關資產之可使用年期於損益中予以確認。

4. 主要會計政策 (續)

(x) 稅項

所得稅開支指即期稅項及遞延稅項總額。

即期應付稅項乃按年內應課稅溢利計算。應課稅溢利不包括其他年度的應課稅或應扣減收入或開支項目，亦不包括毋須課稅或不作扣稅的項目，故與於損益確認的溢利不同。本集團的即期稅項責任乃按照報告期末已頒佈或實質已頒佈的稅率計算。

遞延稅項乃按綜合財務報表中資產及負債的賬面值與計算應課稅溢利所用相應稅基之間的暫時差額確認。遞延稅項負債一般就所有應課稅暫時差額確認，遞延稅項資產則於應課稅溢利有可能用作抵銷可扣稅暫時差額、未動用稅項虧損或未動用稅項抵免之情況下確認。倘暫時差額因商譽或初次確認一項（不包括於業務合併中確認者）不影響應課稅溢利及會計溢利的交易的其他資產及負債而產生，則不會確認有關遞延稅項資產及負債。

本集團會就於附屬公司及聯營公司的投資及於合營企業的權益產生的應課稅暫時差額確認遞延稅項負債，惟倘本集團能夠控制暫時差額的撥回及暫時差額不大可能於可見將來撥回則除外。

遞延稅項資產的賬面值在各報告期末進行檢討，並扣減至再無足夠應課稅溢利可用以收回所有或部分資產。

遞延稅項根據於報告期末已頒佈或實質已頒佈的稅率，按預期適用於負債清償或資產變現期間的稅率計量。遞延稅項於損益中確認，惟當其與其他全面收益或直接於權益確認的項目相關時除外，在此情況，遞延稅項亦於其他全面收益或直接於權益確認。

遞延稅項資產及負債的計量反映在報告期末本集團預期將來能收回或清償其資產及負債賬面值的稅務影響。

就計量本集團於其中確認使用權資產及相關租賃負債的租賃交易之遞延稅項而言，本集團首先釐定稅項減免是否歸屬於使用權資產或租賃負債。

4. 主要會計政策 (續)

(x) 稅項 (續)

就稅項減免歸屬於租賃負債的租賃交易而言，本集團分別對使用權資產及租賃負債應用香港會計準則第12號規定。由於應用初始確認豁免，與使用權資產及租賃負債相關的暫時差額並非於初始確認及租賃期內確認。

當有法定可執行權利將即期稅項資產抵銷即期稅項負債時，以及當它們與同一稅務機關徵收的所得稅有關且本集團有意按淨額基準結算其即期稅項資產和負債時，遞延稅項資產及負債予以抵銷。

(y) 金融資產及合約資產減值

本集團就按攤銷成本計量或按公平值計入其他全面收益的債務工具投資、貿易應收賬款及合約資產以及財務擔保合約的預期信貸虧損確認虧損撥備。預期信貸虧損的金額於各報告日期更新，以反映信貸風險自各金融工具首次確認以來的變動。

本集團始終就貿易應收賬款及合約資產確認全期預期信貸虧損。該等金融資產的預期信貸虧損根據本集團過往信貸虧損經驗，並就債務人特定因素、一般經濟狀況以及對於報告日期之當時狀況及未來狀況預測的評估包括貨幣時間價值（倘適用）使用撥備矩陣進行估計。

就所有其他金融工具而言，當信貸風險自首次確認以來顯著上升，本集團確認全期預期信貸虧損。然而，倘信貸風險自首次確認以來並無顯著上升，本集團則按等於十二個月預期信貸虧損的金額計量金融工具的虧損撥備。

全期預期信貸虧損指於金融工具的預計年期內所有可能的違約事件將導致的預期信貸虧損。相反，十二個月預期信貸虧損指金融工具預計於報告日期後十二個月內可能發生的違約事件導致的部分全期預期信貸虧損。

信貸風險顯著上升

於評估金融工具信貸風險是否自首次確認以來顯著上升時，本集團比較金融工具於報告日期出現違約的風險與該金融工具於首次確認日期出現違約的風險。作此評估時，本集團會考慮合理及有理據的定量及定性資料，包括歷史經驗及毋須花費不必要成本或精力即可獲得的前瞻性資料。考慮到的前瞻性資料包括取自經濟專家報告、財務分析師、政府機構、相關智囊團及其他類似組織的目標集團債務人所營運行業的未來前景，並考慮多種源自外部而與本集團核心業務相關的實質及預測經濟資料。

4. 主要會計政策 (續)

(y) 金融資產及合約資產減值 (續)

信貸風險顯著上升 (續)

尤其是，評估信貸風險自首次確認以來是否顯著上升時會考慮下列資料：

- 金融工具外部（如適用）或內部信貸評級的實際或預期重大惡化；
- 特定金融工具信貸風險的外界市場指標的重大惡化；
- 預期將導致債務人履行其債務責任的能力大幅下降的營商、金融或經濟狀況的現有或預測不利變動；
- 債務人經營業績的實際或預期重大惡化；
- 同一債務人之其他金融工具信貸風險顯著上升；及
- 導致債務人履行其債務責任的能力大幅下降的債務人監管、經濟或技術環境的實際或預期重大不利變動。

無論上述評估結果如何，本集團假定倘合約付款逾期超過30日時，則該金融資產的信貸風險自首次確認以來已大幅增加，除非本集團有合理及有理據的資料證明情況並非如此則當別論。

儘管存在上述情況，倘金融工具於報告日期被釐定為具有低信貸風險，則本集團假設金融工具的信貸風險自初步確認起並無大幅增加。金融工具的信貸風險會被釐定為偏低倘：

- (i) 金融工具違約風險低，
- (ii) 債務人有於短期履行其合約現金流量責任的強大能力，及
- (iii) 較長期的經濟及營商狀況存在不利變動，惟將未必削弱借方履行其合約現金流量責任的能力。

倘資產外部信貸評級為國際通用之「投資評級」或倘外部評級不可用，而資產內部評級為「表現出色」，則本集團認為該金融資產為低信貸風險。表現出色指交易對手財務狀況強勁且並無逾期款項。

就財務擔保合約而言，本集團訂立不可撤銷承擔當日被視為就金融工具減值評估進行確認之日期。於評估財務擔保合約是否自首次確認以來信貸風險顯著上升時，本集團考慮指定債務人違約風險的變動。

本集團定期監察識別信貸風險是否顯著上升所用標準的有效性，並酌情修訂以確保該標準能夠在款項逾期前識別信貸風險的顯著上升。

4. 主要會計政策 (續)

(y) 金融資產及合約資產減值 (續)

違約的定義

本集團認為以下情況就內部信貸風險管理目的而言構成違約事件，因為過往經驗表明符合以下任何一項條件的應收款項一般無法收回。

- 交易對手違反財務契諾；或
- 內部產生或獲取自外部來源的資料表明，債務人不太可能向債權人（包括本集團）全額還款（未計及本集團所持任何抵押品）。

不論上文分析，本集團認為當金融資產逾期超過90日時，即屬發生違約，除非本集團有合理及有理據的資料證明較寬鬆的違約標準更為適用則當別論。

信貸減值金融資產

倘發生對金融資產的估計未來現金流量有不利影響的一項或多項事件，該金融資產出現信貸減值。金融資產出現信貸減值的證據包括有關下列事件的可觀察數據：

- 發行人或交易對手出現重大財務困難；
- 違反合約，如違約或逾期事件；
- 交易對手的借貸人因有關交易對手財務困難的經濟或合約原因向對手方授出借貸人不會另作考慮的特權；或
- 交易對手很可能將破產或進行其他財務重組；或
- 財務困難導致該金融資產的活躍市場消失。

撤銷政策

當有資料顯示債務人陷入嚴重財政困難，且並無實際收回款項的可能時（包括債務人被清盤或進入破產程序），或（就貿易應收款項而言）當該等金額逾期超過兩年時（以較早發生者為準），本集團會撤銷有關金融資產。經計及在適當情況下之法律意見後，已撤銷之金融資產可能仍可於本集團收回程序下被強制執行。收回之任何款項於損益內確認。

4. 主要會計政策 (續)

(y) 金融資產及合約資產減值 (續)

預期信貸虧損的計量及確認

預期信貸虧損的計量為違約概率、違約損失率(即違約時的損失程度)及違約風險敞口的函數。如上所述,評估違約概率及違約損失率的依據是過往數據,並按前瞻性資料調整。金融資產的違約風險敞口,則由資產於報告日期的賬面總值表示;就財務擔保合約而言,敞口包括於報告日期之已提取金額,連同預期將於未來在違約日期前提取之任何額外金額(根據過往趨勢、本集團對債務人之特定未來融資需要之理解,以及其他相關前瞻性資料而釐定)。

就金融資產而言,預期信貸虧損乃根據合約應付本集團的所有合約現金流量與本集團預期收取的所有現金流量之間的差額估計,並按原始實際利率貼現。

就財務擔保合約而言,如本集團根據所擔保契據之條款僅須於債務人違約時作出付款,故預期虧損相當於為產生的信貸虧損補償持有人所作出之預期付款現值減本集團預期自持有人、債務人或任何其他方收取之任何金額。

倘本集團於上一個報告期間以相等於全期預期信貸虧損的金額計量一項金融工具的虧損撥備,但於本報告日期釐定該全期預期信貸虧損的條件不再符合,則本集團於本報告日期按相等於12個月預期信貸虧損的金額計量虧損撥備,惟採用簡化方法計量的資產除外。

除按公平值計入其他全面收益的債務工具投資外,本集團就所有金融工具於損益確認減值收益或虧損,而對其賬面值的相應調整乃透過虧損撥備賬確認,有關虧損撥備乃於其他全面收益確認及於投資重估儲備累計,以及並不削減財務狀況表內金融資產之賬面值。

(z) 撥備及或然負債

倘本集團因過往事件負上現有法律或推定責任而可能需要撥出經濟利益以履行責任並能可靠地作出估計,則會就未有確定時間或金額之負債確認撥備。倘金錢之時間價值重大,撥備會以履行責任預期所需支出之現值列賬。

倘需要撥出經濟利益之可能性不大,或未能可靠估計有關金額,則除非撥出經濟利益之可能性極微,否則有關責任將列作或然負債披露。須視乎某宗或多宗未來事件是否發生才能確定存在與否之潛在責任,亦會披露為或然負債,除非撥出經濟利益之可能性極微,則作別論。

4. 主要會計政策 (續)

(aa) 報告期後事項

能提供有關本集團於報告期末狀況或該等顯示持續經營假設為不恰當之額外資料之報告期後事項為調整事項，並反映於綜合財務報表。並非調整事項之報告期後事項，倘屬重大時，則於綜合財務報表附註內披露。

5. 關鍵判斷及主要估計

應用會計政策時的關鍵判斷

下列為本集團管理層於應用本集團會計政策的過程中所作出且對綜合財務報表中確認的金額具有最重大影響的關鍵判斷(除該等涉及估計者外(見下文))。

(a) 收益確認

確認本集團各收益流需要本集團管理層就釐定履行履約責任的時間作出判斷。

於作出判斷時，本集團管理層會考慮香港財務報告準則第15號所載之確認收益的詳細標準，尤其是本集團是否經參考與其客戶及交易對手訂立之合約規定的交易詳細條款隨時間或於某一時間點履行所有履約責任。

就工具機及叉車的收入而言，本集團管理層已評估銷售合約相關貨物之控制權已於交付及接納已交付貨物後轉讓予客戶。因此，本集團管理層合理認為銷售收益有關之履約責任於某一時間點履行並於某一時間點確認收入。

就停車設備的收入而言，本集團管理層已評估合約條款及中國法規環境，並認為其並不適用於隨時間履行履約責任的標準。因此，本集團管理層合理認為有關停車設備的履約責任於某一時間點履行並於某一時間點確認收入。

5. 關鍵判斷及主要估計 (續)

應用會計政策時的關鍵判斷 (續)

(b) 信貸風險顯著上升

如附註4(y)所闡述，預期信貸虧損按相等於第一階段資產的十二個月預期信貸虧損、或第二階段或第三階段的全期預期信貸虧損進行計量。當資產的信貸風險自初步確認以來顯著上升時移至第二階段。香港財務報告準則第9號並未界定構成信貸風險顯著上升的因素。於評估資產的信貸風險有否顯著上升時，本集團會經考慮定性及定量合理及可支持性的前瞻性資料。

(c) 評估重大影響

儘管本集團持有FFG European and American Holdings GmbH (「FFG EA」)超過50%的股權，惟由於根據股東協議，三名股東各自於股東委員會享有一票成員票，董事認為本集團僅可對FFG EA施加重大影響，因此FFG EA被視為一間聯營公司(附註20)。

(d) 評估共同控制權

就對合營企業的投資而言，由於根據合約協議，所有相關活動均須取得訂約各方一致同意，因此董事釐定本集團對該安排具有共同控制權(附註19)。

估計不確定因素之主要來源

下文所論述的為有關日後之主要假設及於報告期末之估計不確定因素之其他主要來源，其可能具有導致於下一個財政年度須大幅調整資產及負債賬面值之重大風險。

(a) 訴訟申索撥備

於二零一九年十二月三十一日，結算訴訟的預期虧損為人民幣60,117,000元，其於綜合財務狀況表的「訴訟申索撥備」列賬。有關於二零一九年十二月三十一日的訴訟申索撥備的詳情載於附註36。

由於現階段無法確定安徽省高級人民法院二審判決的結果，就訴訟申索作出的撥備在獲得判決結果時可能為超額或不足。

5. 關鍵判斷及主要估計 (續)

估計不確定因素之主要來源 (續)

(b) 物業、廠房及設備及使用權資產的減值

物業、廠房及設備及使用權資產均以成本減累計折舊及減值(如有)列賬。於釐定資產是否減值時,本集團須行使判斷及作出估計,特別是評估(1)是否發生事件或有任何跡象而可能影響資產價值;(2)資產的賬面值是否有可收回金額作支持,倘為使用價值,則為按照持續使用資產估計的未來現金流量的淨現值;及(3)於估計可收回金額(包括現金流量預測)及適當的貼現率時應用的適當主要假設。當無法估計單項資產(包括使用權資產)的可收回金額時,本集團會估計資產所屬的現金產生單元的可收回金額。改變假設及估計(包括現金流量預測中的貼現率或增長率),可能對減值測試中使用的淨現值產生重大影響。

於二零一九年十二月三十一日,物業、廠房及設備及使用權資產的賬面值分別為人民幣218,344,000元(二零一八年:人民幣204,710,000元)及人民幣124,371,000元(二零一八年:無)。截至二零一九年及二零一八年十二月三十一日止年度,概無確認減值虧損。

(c) 存貨減值

本集團檢討其存貨的賬面值,以確保按成本及可變現淨值的較低者入賬。就評估可變現淨值及作出適當撥備,管理層通過識別滯銷或陳舊存貨,並考慮存貨的實際狀況、賬齡、市場條件及類似項目的市場價格估計存貨減值撥備。

於二零一九年十二月三十一日,本集團存貨賬面值為人民幣493,053,000元(扣除存貨減值人民幣23,135,000元)(二零一八年:人民幣524,752,000元(扣除存貨減值人民幣23,629,000元))。

(d) 保修撥備

本集團通常為其工具機及叉車提供一年保修及為其停車場設施提供兩年保修。管理層根據過往之保修索償資料,以及可能顯示過往的成本資料或有異於未來索償之近期趨勢,估計未來保修索償之相關撥備。本集團會持續檢討估計基準,並在適當情況下予以修訂。

於二零一九年十二月三十一日,本集團保修撥備賬面值為人民幣4,019,000元(二零一八年:人民幣5,311,000元)。

5. 關鍵判斷及主要估計 (續)

估計不確定因素之主要來源 (續)

(e) 金融資產及合約資產減值

本集團定期檢討其金融資產及合約資產以評估減值。本集團會定期檢討估計減值所用的方法及假設以降低虧損估計與實際虧損的任何差異。

本集團管理層根據金融資產之信貸風險估計貿易應收賬款及其他應收款項、合約資產、應收貸款、受限制銀行結餘、應收合營企業、同系附屬公司、最終控股公司之聯營公司、一間聯營公司之聯營公司及附屬公司之款項以及銀行結餘的預期信貸虧損之虧損撥備。估計金融資產及合約資產之信貸風險涉及高水平的估計及不確定性。當實際未來現金流量少於預期或高於預期，則可能會出現重大減值虧損或重大減值虧損撥回。

(f) 於聯營公司及合營企業之投資減值

本集團定期檢討其於聯營公司及合營企業之投資以評估減值。本集團會定期檢討估計減值所用的方法及假設以降低虧損估計與實際虧損的差異。

6A. 收益

收益的細分

按本年度主要產品線對來自客戶合約的收益細分如下：

	二零一九年 人民幣千元	二零一八年 人民幣千元
香港財務報告準則第15號範圍內的來自客戶合約的收益		
按主要產品細分		
— 工具機	739,056	928,341
— 停車設備	107,345	89,814
— 叉車	64,294	72,538
	910,695	1,090,693

本集團從上述主要產品線於某一時間點轉移貨品和服務中取得收益並主要於中國銷售。

6B. 分類資料

主要經營決策者已確定為本公司執行董事（「執行董事」）。執行董事審閱本集團的內部報告，以評估表現及分配資源。管理層根據執行董事用於作出策略決定所審議的該等報告釐定經營分類。

執行董事認為本集團有三個經營及應呈報分類：(1)工具機；(2)停車設備；及(3)叉車。本集團於劃分應呈報分類時並無合併經營分類。

執行董事根據與綜合財務報表所採納者一致之經營分類各自的毛利評估經營分類之表現。

本集團並無分配分銷及銷售費用、行政費用、其他營運費用或分類資產及負債至其分類，此乃由於執行董事並無使用此資料分配資源至經營分類或評估經營分類的表現。因此，本集團並無報告各經營及呈報分類的分類資產及負債計量。

	工具機 人民幣千元	停車設備 人民幣千元	叉車 人民幣千元	總計 人民幣千元
截至二零一九年十二月三十一日止年度				
收益（來自外部客戶）	739,056	107,345	64,294	910,695
收益成本	(549,878)	(88,079)	(63,640)	(701,597)
分類溢利	189,178	19,266	654	209,098
分佔合營企業溢利				1,141
分佔聯營公司虧損				(57,089)
未分配金額：				
其他收入				157,038
分銷及銷售費用				(121,928)
行政費用				(71,562)
研發成本				(29,086)
貿易應收賬款及合約資產之減值撥回				3,009
其他收益及虧損				(7,547)
其他開支				(22,805)
其他營運費用				(1,297)
財務費用				(24,744)
除稅前溢利				34,228

6B. 分類資料 (續)

	工具機 人民幣千元	停車設備 人民幣千元	叉車 人民幣千元	總計 人民幣千元
截至二零一八年十二月三十一日止年度				
收益 (來自外部客戶)	928,341	89,814	72,538	1,090,693
收益成本	(665,102)	(70,291)	(64,573)	(799,966)
分類溢利	263,239	19,523	7,965	290,727
分佔合營企業溢利				2,118
分佔聯營公司虧損				(45,423)
未分配金額：				
其他收入				84,483
分銷及銷售費用				(132,609)
行政費用				(64,137)
研發成本				(37,087)
貿易應收賬款及合約資產之減值虧損				(8,875)
其他收益及虧損				(28,321)
其他開支				(87,968)
其他營運費用				(1,458)
財務費用				(14,180)
除稅前虧損				(42,730)

截至二零一八年及二零一九年十二月三十一日止年度，本集團大部分業務及可識別非流動資產位於中國及本集團主要向中國市場出售產品。各年度概無客戶貢獻本集團收益總額10%以上。

7A. 其他收入

	二零一九年 人民幣千元	二零一八年 人民幣千元
來自聯營公司FFG Werke GmbH (「FFG Werke」)的賠償收入(附註a)	72,667	—
銷售廢料	31,118	38,055
諮詢收入	4,301	2,629
與收入相關的政府補貼及補助(附註b)	19,890	22,787
維修收入	16,265	13,780
租金收入	1,261	460
利息收入	3,842	4,496
其他	7,694	2,276
	157,038	84,483

附註：

- 賠償收入指FFG Werke(為本集團的一間聯營公司及相應CNC工具機產品的供應商)就附註36所披露的一名客戶對本集團附屬公司提起的訴訟申索向本集團作出的賠償。
- 政府補貼及補助主要指返還有關銷售工具機所涉及軟件之增值稅。該等補貼及補助入賬列作即時財務支援(並無預期將產生之未來有關成本且與任何資產概無關連)。

7B. 其他收益及虧損

	二零一九年 人民幣千元	二零一八年 人民幣千元
出售物業、廠房及設備(虧損)/收益	(416)	118
匯兌虧損淨額	(7,131)	(28,439)
	(7,547)	(28,321)

7C. 其他開支

	二零一九年 人民幣千元	二零一八年 人民幣千元
訴訟申索撥備	—	60,117
已售廢料成本	22,805	27,851
	22,805	87,968

8. 除稅前溢利／（虧損）

除稅前溢利／（虧損）已扣除下列各項：

	二零一九年 人民幣千元	二零一八年 人民幣千元
董事及行政總裁酬金	1,721	1,690
其他員工成本	146,751	145,906
其他員工退休福利計劃供款	5,543	4,910
員工成本總額	154,015	152,506
資本化於存貨	(52,685)	(55,746)
	101,330	96,760
物業、廠房及設備折舊	18,716	20,795
使用權資產折舊	5,602	–
預付租賃款項攤銷	–	2,905
無形資產攤銷	824	1,252
折舊及攤銷總額	25,142	24,952
資本化於存貨	(9,710)	(10,967)
	15,432	13,985
核數師酬金	1,893	1,808
已售存貨成本	695,986	765,594
存貨減值	667	2,087
出售物業、廠房及設備（虧損）／收益	(416)	118
貿易應收賬款及合約資產之減值撥回／（減值虧損）	3,009	(8,875)
保證撥備	2,985	4,983
產生租金收入的直接經營開支	469	330

9. 董事之福利及權益

(a) 董事及行政總裁之酬金

各名董事及行政總裁之酬金根據適用上市規則及公司條例披露載列如下：

(i) 執行董事

	朱志洋 [#] 人民幣千元	陳向榮 [*] 人民幣千元	陳明河 人民幣千元	溫吉堂 人民幣千元	邱榮賢 人民幣千元	總計 人民幣千元
截至二零一九年						
十二月三十一日止年度						
袍金	-	-	-	144	144	288
薪金及其他福利	-	-	-	-	-	-
退休福利計劃供款	-	-	-	-	-	-
酌情表現花紅	1,075	-	-	-	-	1,075
總額	1,075	-	-	144	144	1,363
截至二零一八年						
十二月三十一日止年度						
袍金	-	-	-	144	144	288
薪金及其他福利	-	-	-	-	-	-
退休福利計劃供款	-	-	-	-	-	-
酌情表現花紅	1,051	-	-	-	-	1,051
總額	1,051	-	-	144	144	1,339

[#] 主席，及亦於二零一八年十二月七日獲委任為行政總裁

^{*} 行政總裁，於二零一八年十一月八日離世

9. 董事之福利及權益 (續)

(a) 董事及行政總裁之酬金 (續)

(ii) 獨立非執行董事

	顧福身 人民幣千元	江俊德* 人民幣千元	余玉堂 人民幣千元	總計 人民幣千元
截至二零一九年 十二月三十一日止年度 袍金	178	90	90	358
截至二零一八年 十二月三十一日止年度 袍金	175	88	88	351

* 於二零二零年一月十日辭任

上表所示之執行董事及行政總裁之酬金乃主要源於彼等作為董事及行政總裁就管理本集團事務所提供之服務。上表所示之獨立非執行董事之酬金乃主要源於彼等作為董事所提供之服務。

董事及行政總裁之酬金乃根據彼等之時間承擔、職務、表現、經驗及本集團之整體表現等事宜而釐定。

(iii) 誠如附註40所列，於年末或於年內任何時間內，並無任何與本公司參與及本公司的董事於其中有重大權益（無論直接或間接）的本集團業務相關的重大交易安排及合約。

(b) 五名最高薪人士

本集團五名最高薪酬人士當中，一名（二零一八年：一名）為本公司董事。剩餘四名（二零一八年：四名）既非公司董事亦非行政總裁的最高薪人士的酬金如下：

	二零一九年 人民幣千元	二零一八年 人民幣千元
薪金及補貼	5,204	1,987
酌情表現花紅	4,045	1,992
退休福利計劃供款	93	165
	9,342	4,144

9. 董事之福利及權益 (續)

(b) 五名最高薪人士 (續)

並非本公司董事之五名最高薪僱員酬金介乎以下範圍之人數如下：

	人數	
	二零一九年	二零一八年
零至人民幣2,000,000元	2	4
人民幣2,000,001元至人民幣5,000,000元	2	-

於本年度，本集團並無向本公司任何董事及行政總裁或五名最高薪人士支付任何酬金以作為彼等加入本集團或於加入本集團時之獎勵或作為離職補償。於本年度，本公司董事或行政總裁概無放棄任何酬金（二零一八年：無）。

10. 財務費用

	二零一九年 人民幣千元	二零一八年 人民幣千元
利息開支：		
— 銀行借貸	24,573	14,180
— 其他借貸	1,667	583
— 租賃負債（附註16）	171	-
總借貸成本	26,411	14,763
減：資本化為合資格資產成本之金額	(1,667)	(583)
	24,744	14,180

於年內資本化之借貸成本產生自其他借貸，並按每年4.75%的資本化率計算（二零一八年：4.75%）。

11. 所得稅開支

	二零一九年 人民幣千元	二零一八年 人民幣千元
即期稅項—中國企業所得稅(「企業所得稅」)		
—年度撥備	26,748	16,403
—過往年度超額撥備	(4,208)	(610)
	22,540	15,793
遞延稅項(附註32)	(471)	(799)
	22,069	14,994

於兩個年度內，由於本集團並無產生須繳納香港利得稅之任何應課稅溢利，因此並無就香港利得稅作出撥備。

企業所得稅乃就中國的附屬公司按25%（二零一八年：25%）計提撥備，惟杭州友佳精密機械有限公司（「杭州友佳」）除外。杭州友佳獲相關政府當局批准，獲認可為高新技術企業。因此，杭州友佳有權於二零一八年起計的三年期間享有15%的優惠稅率。因此，杭州友佳於二零一九年的適用稅率為15%（二零一八年：15%）。

根據二零零七年十二月六日頒佈的《中國企業所得稅法實施條例》，自二零零八年一月一日起於中國成立的公司向其當時海外投資者匯付的股息應按10%的稅率繳納預扣稅。倘中國內地與海外投資者所在司法權區訂有稅項安排，則可採用較低的預扣稅稅率。根據《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》（或稱中港兩地稅務安排），合資格香港稅務居民如身為中國居民企業的「實益擁有人」並持有其25%或以上股權，可按5%的減低預扣稅稅率納稅。於本年度，杭州友佳宣派並派付股息人民幣281,653,000元。

截至二零一九年十二月三十一日止年度，本公司董事已評定任何中國附屬公司將不會於可見將來宣派任何股息。由於本集團有能力控制撥回該等暫時性差額之時間且該等暫時性差額不大可能於可見將來撥回，因此，本公司董事認為毋須就本集團中國附屬公司之未分配保留盈利繳納預扣稅。

11. 所得稅開支(續)

年內所得稅開支與綜合損益及其他全面收益表之除所得稅前溢利／(虧損)對賬如下：

	二零一九年 人民幣千元	二零一八年 人民幣千元
除稅前溢利／(虧損)	34,228	(42,730)
加：分佔合營企業及聯營公司之虧損	55,948	43,305
	90,176	575
按適用於本集團主要營運實體的稅率(15%)計算的稅項	13,526	86
以下之稅項影響：		
毋須課稅收入	(12,682)	(545)
不可扣稅開支	7,586	8,563
動用先前未確認稅項虧損	-	(1,467)
並無確認遞延所得稅資產之稅項虧損	11,628	12,048
未確認之可扣減暫時差額	(4,404)	1,043
附屬公司之不同稅率	766	(62)
授予杭州友佳之稅率減免	(4,226)	(4,062)
中國股息預扣稅	14,083	-
過往年度超額撥備	(4,208)	(610)
所得稅開支	22,069	14,994

12. 每股盈利／(虧損)

每股基本盈利／(虧損)

每股基本盈利／(虧損)是按本公司擁有人應佔溢利人民幣12,159,000元(二零一八年：本公司擁有人應佔虧損：人民幣57,724,000元)除以年內已發行加權平均普通股403,145,000股(二零一八年：403,200,000股)計算。

	二零一九年	二零一八年
每股基本盈利／(虧損)(每股人民幣元)	0.03	(0.14)

每股攤薄盈利／(虧損)

由於兩個年度內並無已發行潛在攤薄普通股，故並無呈列每股攤薄盈利／(虧損)。

13. 股息

	二零一九年 人民幣千元	二零一八年 人民幣千元
年內確認為分派之本公司普通股股東之股息：		
二零一八年：二零一八年中中期股息—每股人民幣0.05元及		
二零一七年末期股息—每股人民幣0.06元	-	44,352

截至二零一九年十二月三十一日止年度，並無建議就本公司普通股股東派付股息。

14. 預付租賃款項

	人民幣千元
於二零一八年一月一日	125,957
攤銷至損益	(2,905)
於二零一八年十二月三十一日及二零一九年一月一日	123,052
由於採納香港財務報告準則第16號之重分類(附註3)	(123,052)
於二零一九年一月一日重列的結餘	-
	二零一八年 人民幣千元
流動部分	2,905
非流動部分	120,147
	123,052

誠如附註42所披露，於二零一八年十二月三十一日，本集團以賬面值約人民幣87,600,000元之預付租賃款項為本集團獲授一般銀行融資及其他借貸作抵押。

15. 物業、廠房及設備

	樓宇 人民幣千元	機器及設備 人民幣千元	辦公及 電腦設備 人民幣千元	汽車 人民幣千元	在建工程 人民幣千元	總計 人民幣千元
成本						
於二零一八年一月一日	205,222	168,822	31,550	20,571	6,692	432,857
添置	272	1,863	667	2,317	40,386	45,505
轉撥	-	172	57	-	(229)	-
出售	-	(840)	(427)	(2,769)	-	(4,036)
於二零一八年十二月三十一日及 二零一九年一月一日	205,494	170,017	31,847	20,119	46,849	474,326
添置	720	810	687	2,247	28,774	33,238
轉撥	5,277	-	-	-	(5,277)	-
出售	-	(1,056)	(2,030)	(3,032)	(2)	(6,120)
於二零一九年十二月三十一日	211,491	169,771	30,504	19,334	70,344	501,444
累計折舊及減值						
於二零一八年一月一日	86,143	123,269	24,443	18,601	-	252,456
年度撥備	9,157	9,524	992	1,122	-	20,795
出售	-	(751)	(392)	(2,492)	-	(3,635)
於二零一八年十二月三十一日及 二零一九年一月一日	95,300	132,042	25,043	17,231	-	269,616
年度撥備	8,794	8,129	677	1,116	-	18,716
出售	-	(918)	(1,806)	(2,508)	-	(5,232)
於二零一九年十二月三十一日	104,094	139,253	23,914	15,839	-	283,100
賬面值						
於二零一九年十二月三十一日	107,397	30,518	6,590	3,495	70,344	218,344
於二零一八年十二月三十一日	110,194	37,975	6,804	2,888	46,849	204,710

誠如附註42所披露，於二零一八年十二月三十一日，賬面值約人民幣7,763,000元的樓宇作為本集團獲授一般銀行信貸額度的抵押。該抵押已於截至二零一九年十二月三十一日止年度解除。

16. 使用權資產

	租賃土地 人民幣千元	租賃物業 人民幣千元	總計 人民幣千元
於二零一九年一月一日(附註3)	123,052	3,322	126,374
添置	–	3,599	3,599
折舊	(2,905)	(2,697)	(5,602)
於二零一九年十二月三十一日	120,147	4,224	124,371

誠如附註42所披露，於二零一九年十二月三十一日，本集團以賬面值約人民幣82,484,000元之租賃土地為本集團獲授其他借貸作抵押。

於二零一九年十二月三十一日，已確認租賃負債人民幣4,270,000元及相關的使用權資產人民幣4,224,000元。除出租人持有的租賃資產中的擔保權益外，租賃協議不施加任何其他契據。租賃資產不得用於借貸擔保。

	二零一九年 人民幣千元
使用權資產折舊開支	5,602
租賃負債利息開支(計入財務費用)	171
有關短期租賃的開支(計入售貨成本及行政費用)	4,135

有關租賃的總現金流出之詳情載於附註35。

於兩個年度內，本集團租賃各種辦公室、住宅及倉庫用於運營。租賃合同以固定租期一年至五年訂立，惟可按下文所述擁有續租及終止選擇權。租賃條款乃在個別基礎上磋商，包括各種不同條款及條件。於釐定租期及評估不可撤回期間的長度時，本集團應用合同的定義並釐定合同可強制執行的期間。

此外，本集團擁有多個工業建築(其生產設施主要位於該等工業建築)及辦公樓。本集團為該等物業權益(包括相關租賃土地)的登記持有人。為收購該等物業權益，已作出一次性付清的付款。僅當所作的付款可合理分配時，該等物業的租賃土地部分方可單獨呈列。

16. 使用權資產 (續)

某些租賃包括在合同期限結束後重續租賃額外期間的選擇權。在可行的情況下，本集團力求包括本集團可行使的續租選擇權，以提供運營靈活性。本集團於租賃開始日期評估是否合理確定會行使續租選擇權。如果本集團不能合理確定行使續租選擇權，則續租期間的未來租賃付款不計入租賃負債的計量。該等未來租賃付款的潛在風險概述如下：

	於二零一九年 十二月三十一日 已確認的租賃負債 (折現) 人民幣千元	未計入租賃負債的 續租選擇權項下 潛在未來租賃付款 (未折現) 人民幣千元
位於中國的辦公室、住宅及倉庫	4,270	4,537

此外，於承租人可控制的情況下發生重大事件或出現重大情況變動，本集團會重新評估是否合理確定會行使續租選擇權。於截至二零一九年十二月三十一日止年度，並無相關觸發事件發生。

17. 無形資產

	軟件 人民幣千元
成本	
於二零一八年一月一日	15,657
添置	264
於二零一八年十二月三十一日及二零一九年一月一日	15,921
添置	16
於二零一九年十二月三十一日	15,937
累計攤銷	
於二零一八年一月一日	12,454
年度攤銷	1,252
於二零一八年十二月三十一日及二零一九年一月一日	13,706
年度攤銷	824
於二零一九年十二月三十一日	14,530
賬面值	
於二零一九年十二月三十一日	1,407
於二零一八年十二月三十一日	2,215

18. 附屬公司詳情

於二零一九年及二零一八年十二月三十一日，附屬公司的詳情如下：

名稱	註冊成立／ 登記及營業地點	主要業務	已發行及繳足股本／ 註冊資本	持有權益	
				二零一九年	二零一八年
直接持有附屬公司					
永達有限公司	英屬處女群島 (「英屬處女 群島」)	投資控股	普通股110美元(美元)	100%	100%
友華控股有限公司	英屬處女群島	投資控股	普通股1,500,000美元	100%	100%
海盛國際控股有限公司	英屬處女群島	投資控股	普通股200,000美元	100%	100%
天盛投資有限公司	英屬處女群島	投資控股	普通股5,000,000美元	100%	100%
佳勝集團有限公司	英屬處女群島	投資控股	普通股1美元	100%	100%
永達香港發展有限公司	香港	貿易及投資控股	普通股1,000港元(港元)	100%	100%
忠盛實業有限公司	香港	暫無營業	普通股2港元	100%	100%
友華香港實業有限公司	香港	投資控股	普通股1,000港元	100%	100%
海盛國際香港有限公司	香港	投資控股	普通股1,000港元	100%	100%
天盛香港實業有限公司(「天盛」)	香港	投資控股	普通股1,000港元	100%	100%

18. 附屬公司詳情 (續)

名稱	註冊成立/ 登記及營業地點	主要業務	已發行及繳足股本/ 註冊資本	持有權益	
				二零一九年	二零一八年
間接持有附屬公司					
杭州友佳	中國*	設計及生產電腦數控工具機、 設計工具機及建造立體停車設備	註冊資本11,000,000美元	100%	100%
杭州友高精密機械有限公司	中國*	設計及組裝叉車	註冊資本10,000,000美元	100%	100%
杭州友華精密機械有限公司	中國*	設計及生產電腦數控工具機	註冊資本30,000,000美元	100%	100%
杭州友達機械科技有限公司	中國*	加工電腦數控工具機	註冊資本15,000,000美元	100%	100%
上海友盛精密機械有限公司	中國*	買賣電腦數控工具機	註冊資本200,000美元	100%	100%
上海顯德精密機械有限公司(「顯德」)	中國*	高端工具機貿易	註冊資本1,000,000美元	100%	100%
友嘉(河南)精密機械有限公司 (「友嘉河南」)	中國*	設計及生產電腦數控工具機、 設計及建造立體停車設備	註冊資本30,000,000美元	100%	100%

上表載有主要影響本集團業績、資產或負債的附屬公司的詳情。

* 該等附屬公司為中國的有限責任公司。

19. 於合營企業的投資

	二零一九年 人民幣千元	二零一八年 人民幣千元
於合營企業非上市投資的成本	27,666	27,666
分佔收購後虧損	(6,020)	(7,161)
	21,646	20,505

本集團各合營企業於二零一九年及二零一八年十二月三十一日的詳情如下：

名稱	註冊成立／登記地	註冊資本	本集團所持 所有權權益／ 投票權比例	主要業務
Anest Iwata Feeler Corporation (「AIF」)	中國	註冊資本9,000,000美元	35%	製造及銷售氣壓機和零件
Hangzhou Nippon Cable Feeler Corporation (「Nippon Cable Feeler」)	中國	註冊資本100,000美元	50%	批發及出口停車設備
Hangzhou Feeler Mectron Machinery Co., Ltd. (「Feeler Mectron」)	中國	註冊資本1,110,000美元	45%	製造及銷售工具機及有關產品
Hangzhou Union Friend Machinery Co., Ltd. (「UFM」)	中國	註冊資本1,000,000美元	55%	製造及銷售工具機及有關產品

由於根據各項合約協議，所有相關活動均須取得訂約各方一致同意，因此本集團董事釐定本集團對該安排具有共同控制權。

19. 於合營企業的投資 (續)

主要合營企業之財務資料概要

有關本集團主要合營企業之財務資料概要載於下文。以下財務資料概要代表合營企業財務報表之金額是按香港財務報告準則編製。

合營企業於該等綜合財務報表內乃以權益法入賬。

AIF

於十二月三十一日：	二零一九年 人民幣千元	二零一八年 人民幣千元
流動資產	50,180	48,455
非流動資產	26,220	28,681
流動負債	(21,905)	(23,764)
非流動負債	(7,016)	(7,065)
上述資產及負債金額包括以下各項：		
現金及現金等值物	7,497	8,990
流動金融負債 (不包括應付賬款及其他應付款及撥備)	(7,220)	(8,403)
截至十二月三十一日止年度：	二零一九年 人民幣千元	二零一八年 人民幣千元
收益	89,674	102,765
年內溢利及全面收益總額	1,172	3,349

19. 於合營企業的投資 (續)

主要合營企業之財務資料概要 (續)

上述本年度溢利及全面收益包括以下各項：

截至十二月三十一日止年度：	二零一九年 人民幣千元	二零一八年 人民幣千元
折舊及攤銷	3,226	2,971
利息收入	(15)	(10)
利息開支	-	405
所得稅開支	-	-

上述財務資料概要與綜合財務報表內所確認於AIF之權益之賬面值對賬：

於十二月三十一日：	二零一九年 人民幣千元	二零一八年 人民幣千元
AIF之資產淨值	47,479	46,307
本集團於AIF之擁有權權益之比例	35%	35%
本集團於AIF之權益之賬面值	16,618	16,207

個別不屬於重大合營企業之資料匯總

截至十二月三十一日止年度：	二零一九年 人民幣千元	二零一八年 人民幣千元
本集團應佔本年度溢利及全面收益總額	731	946
於十二月三十一日：	二零一九年 人民幣千元	二零一八年 人民幣千元
本集團於該等合營企業權益之總賬面值	5,028	4,298

20. 於聯營公司的投資

	二零一九年 人民幣千元	二零一八年 人民幣千元
於聯營公司非上市投資之成本	556,380	415,701
分佔收購後虧損及其他全面收益	(191,849)	(119,317)
因換算海外業務產生之匯兌差額	27,795	34,939
	392,326	331,323

本集團的聯營公司於二零一九年及二零一八年十二月三十一日的詳情如下：

實體名稱	註冊成立／登記地	繳足股本	本集團所持 所有權權益／ 投票權比例	主要業務
FFG Europe S.p.A. (「FFG Europe」)	意大利	3,379,429歐元	30.16%/30.16%	製造及銷售工具機及有關產品
FFG Werke	德國	195,000歐元	39.00%/39.00%	製造及分銷工具機、 零件及配件； 提供有關工具機及產品之 培訓及保養服務
FFG EA	德國	20,343歐元	81.37%/33.33%	投資控股公司

20. 於聯營公司的投資 (續)

FFG Europe

本集團透過本公司全資附屬公司天盛於FFG Europe擁有約30.16%股權。

根據FFG Europe之組織章程細則，股東決議案須透過全體獲授權投票股東之簡單多數投票而採納，且每股股份賦予一票。本公司董事認為，本集團對FFG Europe具有重大影響。故本集團已於綜合財務報表中將該投資入賬列為於一間聯營公司的投資。

FFG Werke

本集團透過本公司全資附屬公司天盛於FFG Werke擁有約39%股權。

根據FFG Werke之組織章程細則，股東決議案須透過全體獲授權投票股東之簡單多數投票而採納，且每股股份賦予一票。本公司董事認為，本集團對FFG Werke具有重大影響。故本集團已於綜合財務報表中將該投資入賬列為於一間聯營公司的投資。

FFG EA

本集團透過本公司全資擁有附屬公司天盛於FFG EA擁有約81.37%股權。

FFG EA股東已同意成立股東委員會，據此三名股東均有權指定一名成員於股東委員會投票。股東委員會將掌管對FFG EA之全部控制權，且任何決議案須由股東委員會按簡單多數通過。本公司董事認為，本集團能夠對FFG EA施加重大影響。因此，本集團已於綜合財務報表中將該投資入賬列為於一間聯營公司的投資。

FFG EA之主要投資為於FFG European Holding GmbH (一間於德國註冊成立之投資公司)之55.3%股權，而FFG European Holding GmbH實際擁有MAG Global Holding GmbH (「MAG」)及其附屬公司(統稱「MAG集團」)之100%股權。MAG集團之主要業務為於德國及美國生產工具機及生產系統。

20. 於聯營公司的投資 (續)

重大聯營公司的財務狀況表摘要

對本集團屬重大的聯營公司財務資料摘要列示如下。聯營公司業績採用權益法於綜合財務報表入賬。所呈列財務資料摘要乃以聯營公司的香港財務報告準則財務報表為基礎。

於十二月三十一日：

	FFG EA	
	二零一九年 人民幣千元	二零一八年 人民幣千元
現金	147,374	188,920
其他流動資產	1,872,112	2,057,476
流動資產總值	2,019,486	2,246,396
短期銀行借貸	(172,776)	(207,568)
其他金融負債	(1,459,488)	(1,835,053)
流動負債總額	(1,632,264)	(2,042,621)
非流動資產	1,737,392	1,743,790
非流動負債	(1,178,404)	(1,205,208)
資產淨值	946,210	742,357
減：非控股權益	464,060	335,177
聯營公司擁有人應佔之資產淨值	482,150	407,180
本集團分佔資產淨值	392,326	331,323

20. 於聯營公司的投資 (續)

重大聯營公司的損益及其他全面收益表摘要

截至十二月三十一日止年度：

	FFG EA	
	二零一九年 人民幣千元	二零一八年 人民幣千元
收益	3,349,477	3,572,255
收益成本	(2,882,198)	(3,077,960)
其他開支	(553,955)	(535,239)
除稅前虧損	(86,676)	(40,944)
所得稅抵免／(開支)	12,825	(42,263)
年內虧損	(73,851)	(83,207)
減：非控股權益	(3,691)	(27,384)
聯營公司擁有人應佔年內虧損	(70,160)	(55,823)
聯營公司擁有人應佔年內其他全面收益	(18,979)	22,427
本集團分佔聯營公司虧損	(57,089)	(45,423)
本集團分佔聯營公司其他全面收益	(15,443)	18,249

本集團並無確認FFG Europe及FFG Werke之年內虧損合計人民幣19,064,000元(二零一八年：人民幣66,926,000元)。未確認之累計虧損總額為人民幣110,525,000元(二零一八年：人民幣91,983,000元)。

21A. 貿易及其他應收款項及預付款項

	二零一九年 人民幣千元	二零一八年 人民幣千元
貿易應收賬款	225,452	323,790
減：貿易應收賬款減值（附註38(d)）	(39,596)	(46,931)
	185,856	276,859
預付款項	14,749	44,713
其他應收款項	26,491	24,238
	227,096	345,810

本集團一般給予其客戶30至180天信貸期。本集團亦允許其客戶保留若干比例的未償還結餘作為保留金，合共為數人民幣22,696,000元（二零一八年：人民幣22,699,000元），就該等款項而言收取代價權利的條件已獲達成並已成為無條件。

於二零一九年及二零一八年十二月三十一日，貿易應收賬款（扣除撥備）根據發票日期呈列的賬齡分析如下：

	二零一九年 人民幣千元	二零一八年 人民幣千元
即期－30天	21,541	32,087
31－60天	18,300	9,694
61－90天	14,376	27,194
91－180天	23,947	29,461
180天以上	107,692	178,423
	185,856	276,859

21A. 貿易及其他應收款項及預付款項 (續)

本集團以相關集團實體功能貨幣以外的貨幣計值的貿易應收賬款如下：

	二零一九年 人民幣千元	二零一八年 人民幣千元
美元	4,766	9,100
歐元	9,248	16,708

21B. 合約資產

	二零一九年 人民幣千元	二零一八年 人民幣千元
來自以下收益：		
— 工具機	34,041	30,692
— 停車設備	10,577	16,265
	44,618	46,957
減：合約資產減值（附註38(d)）	(219)	(230)
	44,399	46,727

合約資產主要與本集團就已完工工程的開票權而非票據有關，此乃由於開票權於各報告期末須以特定付款里程碑為條件。合約資產於權利成為無條件時轉撥至貿易應收賬款。本集團通常於相應合約達到特定付款里程碑時將合約資產轉撥至貿易應收賬款。

由於本集團預期於正常營運週期及一年內將該等合約資產變現，故本集團將其分類為流動資產。

22. 應收貸款

於二零一九年十二月三十一日，本集團於一間聯營公司一名非控股股東的應收貸款為無抵押、免息、須於要求時償還。應收貸款的償還乃由最終控股公司擔保。

本集團應收貸款以相關集團實體之功能貨幣以外之貨幣列值如下：

	二零一九年 人民幣千元	二零一八年 人民幣千元
歐元	48,394	35,627

23. 按公平值計入其他全面收益的應收款項

	二零一九年 人民幣千元	二零一八年 人民幣千元
一年內到期的應收票據（按應收票據發行日期呈列）	101,945	106,400

應收票據乃以人民幣計值。

24. 存貨

	二零一九年 人民幣千元	二零一八年 人民幣千元
原材料	49,401	62,425
在製品	234,622	234,030
製成品	209,030	228,297
	493,053	524,752

年內，人民幣667,000元的存貨減值（二零一八年：人民幣2,087,000元）已獲確認及計入銷售成本。

25. 受限制銀行結餘

	二零一九年 人民幣千元	二零一八年 人民幣千元
受限制銀行結餘來自		
— 貿易融資信貸	43,728	15,900
— 訴訟申索 (附註36)	62,605	54,087
	106,333	69,987

誠如綜合財務報表附註42所載，來自貿易融資信貸的受限制銀行結餘指為本集團獲授貿易融資信貸提供擔保而存入銀行的金額。該存款於一年內到期，按固定年利率0.3% (二零一八年：0.3%) 計息。

違反履行財務契諾會使銀行可立即要求還款。截至二零一八年及二零一九年十二月三十一日止年度，並無違反任何借貸之財務契諾。

26. 銀行及現金結餘

銀行結餘按市場利率介乎每年0.01%至1% (二零一八年十二月三十一日：0.35%至1.5%) 計息。

本集團以相關集團實體功能貨幣以外貨幣計值的銀行及現金結餘 (包括受限制銀行結餘) 載列如下：

	二零一九年 人民幣千元	二零一八年 人民幣千元
美元	11,969	6,114
歐元	13,070	31,418
其他貨幣	6,051	7,247

於二零一九年十二月三十一日，本集團以人民幣計值的銀行及現金結餘以及受限制銀行結餘金額為人民幣150,103,000元 (二零一八年：人民幣137,881,000元)。將人民幣兌換為外幣須遵守中國外匯管制規例及結匯、售匯及付匯管理規定。

27. 股本

	股份數目 千股	金額 千港元	金額 人民幣千元
每股面值0.01港元的普通股			
法定：			
於二零一八年一月一日、二零一八年 十二月三十一日、二零一九年一月一日及 二零一九年十二月三十一日	1,000,000	10,000	10,211
已發行及繳足：			
於二零一八年一月一日、二零一八年 十二月三十一日及二零一九年一月一日	403,200	4,032	4,022
購回及註銷股份(附註a)	(126)	(1)	(1)
於二零一九年十二月三十一日	403,074	4,031	4,021

附註：

- (a) 於二零一九年七月，本公司於聯交所購回其本身之股份126,000股。而支付該股份之總額約人民幣99,000元(扣除相關交易成本)已從股份溢價中扣除。

本集團於管理資本時之目標為保障本集團能夠按持續經營基準繼續經營，同時透過優化債務及權益結餘，為股東帶來最大回報。

本集團按風險比例釐定資本金額。本集團因應經濟狀況的變化及相關資產之風險特點，管理資本架構並作出調整。為維持或調整資本架構，本集團可能調整股息分派、發行新股份、購回股份、募集新債、贖回現有債項或出售資產以減少債務。

本集團受限於以下外部資本規定：(i)為了維持於聯交所的上市地位，其至少25%的股份須由公眾持有；及(ii)遵循銀行借貸附有的財務契諾。

本集團自股份註冊處接獲有關非公眾持股量之重大股份權益之報告，該報告顯示本集團於整個年度持續遵守25%之限額。於二零一九年十二月三十一日，本集團公眾持股量超過25%(二零一八年：超過25%)。

28. 貿易及其他應付款項及應計開支

	二零一九年 人民幣千元	二零一八年 人民幣千元
貿易應付賬款	162,885	163,957
應付票據	150,144	–
其他應付款項	32,152	32,474
應計開支	44,119	46,538
	389,300	242,969

貿易應付賬款及應付票據根據發票日期呈列的賬齡分析如下：

	二零一九年 人民幣千元	二零一八年 人民幣千元
即期–30天	54,647	54,794
31–60天	47,414	41,850
61–90天	45,400	9,928
91–180天	73,700	24,325
180天以上	91,868	33,060
	313,029	163,957

本集團一般從其供應商獲得30至90天的信貸期（二零一八年：30至60天）。

本集團以相關集團實體功能貨幣以外貨幣計值的貿易應付賬款載列如下：

	二零一九年 人民幣千元	二零一八年 人民幣千元
美元	10,582	3,224
歐元	–	13,436

29. 合約負債

	二零一九年 人民幣千元	二零一八年 人民幣千元
預付款收益來自：		
— 工具機	87,904	145,501
— 停車設備	206,512	205,920
— 叉車	5,920	7,330
	300,336	358,751

與來自工具機、停車設備及叉車預付款收益有關的合約負債為應付客戶銷售合約結餘。倘於本集團履行銷售合約責任前作出預付款，則會產生合約負債。

預計於本集團正常營運週期內結算的合約負債分類為流動負債。於有關期間內，合約負債結餘並無重大變動。

合約負債變動：

	二零一九年 人民幣千元	二零一八年 人民幣千元
於一月一日的結餘	358,751	436,711
在期初計入合約負債，於本年度因確認收入而導致減少的合約負債	(169,415)	(245,805)
下列預付款收益導致的合約負債增加：		
— 工具機	53,936	104,518
— 停車設備	53,318	102,371
— 叉車	3,746	4,820
就訴訟申索重新分配至退款負債的金額	—	(43,864)
於十二月三十一日的結餘	300,336	358,751

30. 保證撥備

	二零一九年 人民幣千元	二零一八年 人民幣千元
於一月一日	5,311	5,755
年內額外撥備	2,985	4,983
動用撥備	(4,277)	(5,427)
於十二月三十一日	4,019	5,311

保證撥備指本集團根據過往經驗及業內瑕疵產品之平均水平對本集團就授予本集團所銷售工具機、停車設備及叉車之一至兩年保證責任承擔作出之最佳估計。

31. 銀行及其他借貸

	二零一九年 人民幣千元	二零一八年 人民幣千元
銀行借貸－浮動利率	400,071	563,239
其他借貸－免息	36,760	35,093
	436,831	598,332
有抵押	36,760	35,093
無抵押	400,071	563,239
	436,831	598,332
應償還賬面值*		
一年內	400,071	563,239
兩年以上但不超過五年	36,760	35,093
	436,831	598,332

* 到期金額乃根據列於貸款協議的既定還款日期呈列。

本集團的銀行借貸根據香港銀行同業拆息／倫敦銀行同業拆息／台北銀行同業拆息／歐元銀行同業拆息計息。

31. 銀行及其他借貸 (續)

本集團其他借貸為從中國政府獲得的人民幣43,522,000元免息貸款。該筆貸款須於二零二三年悉數償還。按同等貸款的通行市場利率4.75%計算，貸款初始公平值估計為人民幣34,510,000元。其他借貸的總所得款項與公平值之間的差額人民幣9,012,000元為免息貸款所得利益，確認為遞延收入（附註33），並將按與相關物業、廠房及設備折舊相同之基準於損益中確認。

本集團銀行及其他借貸的實際利率範圍如下：

	二零一九年	二零一八年
實際利率	0.9%至5.87% 每年	0.9%至4.75% 每年

本集團以相關集團實體功能貨幣以外貨幣計值的銀行及其他借貸載列如下：

	二零一九年 人民幣千元	二零一八年 人民幣千元
美元	87,367	106,268
歐元	42,790	139,172
港元	179,777	305,014

附註：

- 於二零一八年十二月三十一日，本集團賬面值約人民幣3,262,000元的預付租賃款項及賬面值約人民幣7,763,000元的樓宇作為本集團獲授一般銀行信貸額度的抵押。該等抵押已於截至二零一九年十二月三十一日止年度解除。
- 於二零一九年十二月三十一日，本公司一名董事及本集團一名關聯方就本集團的銀行融資人民幣90,691,000元（二零一八年：人民幣96,085,000元）提供個人擔保。
- 於二零一九年十二月三十一日，本集團人民幣36,760,000元（二零一八年：人民幣35,093,000元）的其他借貸以賬面值約為人民幣82,484,000元（二零一八年：人民幣84,338,000元）的使用權資產（二零一八年：預付租賃付款）作為抵押。

32. 遞延稅項資產

年內，遞延稅項資產的變動如下：

	貿易應收 賬款及合約 資產減值 人民幣千元	存貨減值 人民幣千元	保證撥備 人民幣千元	遞延收益 人民幣千元	其他 人民幣千元	總計 人民幣千元
於二零一八年一月一日	4,864	1,066	819	15,295	5,030	27,074
於其他全面收益扣除	(353)	-	-	-	-	(353)
於損益內計入／(扣除)	233	129	(53)	-	490	799
於二零一八年十二月三十一日及 二零一九年一月一日	4,744	1,195	766	15,295	5,520	27,520
於損益內計入／(扣除)	(478)	460	-	1,225	(736)	471
於二零一九年十二月三十一日	4,266	1,655	766	16,520	4,784	27,991

於報告期末，本集團擁有未使用稅項虧損約人民幣87,031,000元（二零一八年：人民幣130,086,000元）可供抵銷未來溢利，並將於五年內屆滿。其他稅項虧損可無限期結轉。由於未來溢利流無法預測，故並未確認遞延稅項資產。

除上述未使用稅項虧損外，於二零一九年十二月三十一日，本集團擁有其他可扣減暫時差額人民幣164,944,000元（二零一八年：人民幣166,345,000元）可供抵銷未來溢利。於二零一九年十二月三十一日，可扣減暫時差額人民幣141,677,000元（二零一八年：人民幣115,652,000元）已於遞延稅項資產確認，而由於日後不大可能有應課稅溢利用以抵銷可扣減暫時差額，故並未確認人民幣23,267,000元（二零一八年：人民幣50,693,000元）。

33. 遞延收益

	二零一九年 人民幣千元	二零一八年 人民幣千元
與資產相關之政府補貼	75,090	70,192
對下列各項進行分析：		
流動負債	1,410	–
非流動負債	73,680	70,192
	75,090	70,192

於二零一六年十一月及二零一九年七月，本公司全資擁有附屬公司友嘉河南就其土地使用之具體目的獲得若干政府補助及補貼分別為人民幣61,180,000元及人民幣8,647,000元。該等補貼將按土地租賃期間於損益內其他收入中確認。

此外，於二零一八年四月，友嘉河南收到一筆利益金額為人民幣9,012,000元的政府補貼免息貸款（詳情見附註31）。直至綜合財務報表獲批准日期，廠房及設備之相關建設仍在施工，故遞延收益尚未於損益中確認。

34. 租賃負債

	最低租賃付款		最低租賃付款的現值	
	二零一九年 人民幣千元	二零一八年 人民幣千元	二零一九年 人民幣千元	二零一八年 人民幣千元
一年內	2,646	–	2,486	–
第二年至第五年（包括首尾兩年）	1,876	–	1,784	–
減：未來融資費用	4,522 (252)	– –	4,270 不適用	– 不適用
租賃承擔之現值	4,270	–	4,270	–
減：流動負債項下所列須於十二個月內償還之款項			2,486	–
十二個月後到期償還之款項			1,784	–

本集團使用經修訂之追溯法首次應用香港財務報告準則第16號，並調整於二零一九年一月一日之期初結餘以確認先前根據香港會計準則第17號分類為經營租賃之租賃項下租賃負債。於二零一八年十二月三十一日的比較資料並無重列，且僅與先前分類為融資租賃的租賃相關。有關過渡至香港財務報告準則第16號的影響的進一步詳情載於附註3。

35. 綜合現金流量表附註

(a) 融資活動產生之負債對賬

下表詳列本集團融資活動產生之負債變動，包括現金及非現金變動。融資活動產生之負債之現金流量已於或未來現金流量將於本集團綜合現金流量表內分類至融資活動產生之現金流量。

	首次應用 香港財務報告 準則第16號 的影響 (附註3)		於 二零一九年 一月一日 經重列結餘						租賃 負債變動	二零一九年 十二月 三十一日 人民幣千元
	二零一九年 一月一日 人民幣千元	人民幣千元	人民幣千元	現金流量 人民幣千元	外匯換算 人民幣千元	利息開支 人民幣千元	攤銷 人民幣千元	人民幣千元		
銀行及其他借貸(附註31)	598,332	-	598,332	(193,517)	5,776	26,240	-	-	436,831	
遞延收益(附註33)	70,192	-	70,192	8,647	-	-	(3,749)	-	75,090	
租賃負債(附註34)	-	3,322	3,322	(2,822)	-	171	-	3,599	4,270	
	668,524	3,322	671,846	(187,692)	5,776	26,411	(3,749)	3,599	516,191	

	二零一八年 一月一日 人民幣千元	現金流量 人民幣千元	外匯換算 人民幣千元	利息開支 人民幣千元	確認為分派之 股息 人民幣千元	二零一八年 十二月三十一日 人民幣千元
應付股息(附註13)	-	(44,352)	-	-	44,352	-
銀行及其他借貸(附註31)	367,428	190,946	25,195	14,763	-	598,332
遞延收益(附註33)	61,180	9,012	-	-	-	70,192
	428,608	155,606	25,195	14,763	44,352	668,524

附註：

銀行及其他借貸融資現金流量指綜合現金流量表中銀行及其他借貸所得款項及還款及已付利息。

35. 綜合現金流量表附註 (續)

(b) 租賃現金流出總額

租賃計入綜合現金流量表的金額包括下列各項：

	二零一九年 人民幣千元	二零一八年 人民幣千元
計入經營現金流量	6,957	8,232

該等金額與下列各項有關：

	二零一九年 人民幣千元	二零一八年 人民幣千元
已付租賃租金	4,135	8,232
使用權資產付款	2,822	-
	6,957	8,232

36. 訴訟申索撥備

- (a) 於二零一五年九月，本集團附屬公司顯德與一名獨立第三方（「客戶」）簽訂銷售合約以向客戶銷售七套原採購自FFG Werke的高端CNC工具機（「工具機」）。於二零一五年十月，顯德、杭州友佳與客戶簽訂了補充協議，據此杭州友佳與顯德共同享有及承擔於二零一五年九月簽訂之合同下作為賣方之權利與義務。顯德於二零一七年完成七套工具機的裝運。

於裝運後，客戶向顯德提出，部分工具機之質量與合約所載產品質量要求不符。經過若干輪修正及與客戶進行協商，客戶與顯德仍未能就工具機之質量達成共識。最後客戶向安徽省高級人民法院提出訴訟。於二零一八年八月三十一日，安徽省高級人民法院作出有利於客戶之一審判決，當中判定客戶應向本集團退還七套工具機，而本集團應向客戶支付退款及賠償金共計人民幣161,020,000元。

36. 訴訟申索撥備 (續)

(a) (續)

於二零一八年十月，本集團向最高人民法院提出上訴並獲二審批准。於二零一九年十二月，二審法院已開始聆訊，且於該等綜合財務報表批准日期，安徽省高級人民法院尚未完成二審聆訊。

於二零一九年十二月三十一日，由於銀行收到有關訴訟申索的法院通知，有關銀行凍結了杭州友佳銀行總結餘人民幣62,578,000元（二零一八年：人民幣54,087,000元）。該等銀行結餘已於綜合財務報表計入受限制銀行結餘。

經考慮獨立中國法律顧問之法律意見及當前訴訟狀況，本公司董事已對退還客戶之金額作出最佳估計，估計金額為人民幣100,903,000元，其已於綜合財務狀況表中確認為「退款負債」，而解決訴訟之預期損失人民幣60,117,000元已於綜合財務狀況表中的「訴訟申索撥備」作出撥備。

此外，於二零一九年三月，本集團聯營公司及工具機供應商FFG Werke已同意就訴訟成本及客戶提出的申索向本集團賠償人民幣72,667,000元（附註7A）。該賠償收入由最終控股公司擔保償還，並於綜合損益及其他全面收益表入賬為其他收入。

- (b) 於二零一九年八月，一名建築承包商（該承包商，為一名獨立第三方）向本公司之全資附屬公司友嘉河南提出，位於河南一個建築項目之付款之未償還結餘付款應由友嘉河南及兩名承包方共同承擔。該承包商向鄭州市中級人民法院提出訴訟（「一審」）。於二零一九年八月二十七日，鄭州市中級人民法院頒令凍結友嘉河南及該兩名承包方的若干銀行賬戶，凍結金額為人民幣57,832,000元。於二零一九年十二月三十一日，友嘉河南就訴訟申索被一家銀行凍結銀行結餘人民幣27,000元，該結餘已於綜合財務狀況表計入受限制銀行結餘。

經考慮獨立中國法律顧問之法律意見及當前訴訟狀況，本公司董事已就訴訟作出最佳估計，認為經濟利益流出的可能性為不確定，原因為友嘉河南既非所述建築項目的承包方，亦非該項目的擔保方。因此，於二零一九年十二月三十一日並無作出撥備。於批准該等綜合財務報表日期，一審仍在進行中。

37. 承擔

(a) 資本承擔

	二零一九年 人民幣千元	二零一八年 人民幣千元
就下列各項已訂約，但尚未於綜合財務報表撥備的資本支出：		
— 廠房建設	24,246	53,134

(b) 經營租賃承擔

於報告日期，本集團須就根據不可撤銷之經營租賃而租賃之辦公室支付之未來最低租金如下：

	二零一八年 人民幣千元
一年內	4,764
一年後及五年內	1,481
	6,245

38. 財務風險管理

本集團的業務面臨多重財務風險：外匯風險、利率風險、其他價格風險、信貸風險及流動資金風險。有關如何紓緩此類風險的政策載於下文。管理層管理及監察此等風險，以確保及時有效採取適當措施。

(a) 外匯風險

本集團主要面臨港元、美元及歐元兌人民幣產生之外匯風險。此外匯風險因業務交易或資產及負債以本集團功能貨幣人民幣以外之貨幣列值而產生。本集團透過定期檢討本集團的外匯風險淨額管理其外匯風險。

本集團目前並無制定任何外幣對沖政策，原因為本集團管理層認為本集團外匯風險甚微。本集團將於必要時考慮對沖重大外幣風險。

38. 財務風險管理 (續)

(a) 外匯風險 (續)

敏感度分析

下表詳列本集團對相關集團實體功能貨幣兌有關外幣的匯率上升5%的敏感度。我們採用5%作為敏感率，此乃管理層估計外幣匯率可能發生的合理變動。敏感度分析僅包括現有以外幣計值的貨幣項目，並於報告期末按照外幣匯率變動5%調整其換算。

下表的正數／(負數)表明當相關集團實體功能貨幣兌有關外幣的匯率上升時年內除稅後溢利增加／(減少)及除稅後虧損減少／(增加)。於二零一九年十二月三十一日，當相關集團實體功能貨幣的匯率下降5%時，會對年內除稅後(虧損)／溢利造成等值且相反的影響。

	二零一九年 人民幣千元	二零一八年 人民幣千元
美元	3,412	3,127
歐元	1,146	2,461
港元	7,253	12,510

此外，將人民幣兌換為外幣須遵守中國政府頒佈的外匯管制規則及法規。

本公司董事認為，敏感度分析並不代表固有外匯風險，原因為年末風險未必反映年內風險。

38. 財務風險管理 (續)

(b) 利率風險

本集團所面對之公平值利率風險與限制性定息銀行結餘及其他借貸之利息有關。本集團目前並無任何利率對沖政策。本集團管理層會按持續基準監察本集團面臨的風險，並將在需要時考慮對沖利率風險。

本集團亦就浮息銀行借貸、限制性銀行結餘及銀行結餘，承受現金流量利率風險。

敏感度分析

以下敏感度分析乃基於報告期末浮息銀行借貸的利率風險而釐定。分析乃假設於報告期末未償還之負債金額於整個年度仍未償還而編製。有關浮息銀行借貸適用之50個基點（二零一八年：50個基點）之上升或下跌乃代表管理層對利率合理可能變動作出之評估。受限制銀行結餘及銀行結餘不獲納入敏感度分析，原因為本公司董事認為因浮動利率受限制銀行結餘及銀行結餘而面臨所產生之現金流量利率風險屬極微。

倘有關浮息銀行借貸之利率上升／下跌50個基點（二零一八年：50個基點）且其他變量維持不變，本集團於截至二零一九年十二月三十一日止年度之除稅後溢利將增加／減少人民幣1,677,000元（二零一八年：年內除稅後虧損將減少／增加人民幣2,394,000元）。

(c) 其他價格風險

本集團因按公平值計入其他全面收益的應收款項而面臨其他價格風險。本公司董事認為，本集團無需就其他價格風險編製敏感度分析，原因為該等應收款項具短期性質，其對本集團年內除稅後溢利／（虧損）之影響屬極微。

(d) 信貸風險

信貸風險即交易對手將不會達成其金融工具或客戶合約項下的責任，從而導致金融虧損的風險。本集團面臨來自其營運活動（主要為貿易應收賬款及合約資產）、來自投資活動（主要為應收貸款）及來自其融資活動（包括銀行及金融機構存款、匯兌交易及其他金融工具）的信貸風險。本集團面臨來自現金及現金等值物的信貸風險有限，此乃由於交易對手為獲國際信貸評級機構授予高信貸評級的銀行及金融機構，故本集團認為信貸風險較低。

除附註41所載本集團發出的財務擔保外，本集團並無提供令本集團承受信貸風險的任何其他擔保。於報告期末有關該等財務擔保的最大信貸風險於附註41披露。

38. 財務風險管理 (續)

(d) 信貸風險 (續)

貿易應收賬款及合約資產

客戶信貸風險由各業務單位根據本集團設立之客戶信貸風險管理的政策、程序及控制進行管理。對要求一定金額信用的所有客戶進行個人信用評估。該等評估集中於客戶過往於賬項到期時的還款記錄及目前的還款能力，並考慮客戶的特定資料以及客戶營運所處經濟環境。貿易應收賬款自開票日期起30至180天內到期。一般而言，本集團不會向客戶收取抵押品。

本集團採納香港財務報告準則第9號之簡化方法計量全期預期信貸虧損之虧損撥備。本集團乃就具有重大結餘或信貸減值的債務人進行個別評估及／或使用合適分組的撥備矩陣進行整體評估。就整體評定而言，本集團利用賬款之賬齡評估客戶減值情況，原因為該等客戶乃由數量眾多的小型客戶所組成，而彼等具有可反映彼等根據合約條款償還所有應付款項的共同風險特性。預期信貸虧損乃基於根據債務人的過往違約記錄而總結得出的過往信貸虧損記錄、債務人營運所在行業的整體經濟狀況以及於報告日期對當前及預測環境走向所作評估而估計得出。

本集團在有資料顯示債務人陷入嚴重財務困難，且無實際收回的可能之時（例如債務人遭受清盤或已進入破產程序）撤銷貿易應收賬款及合同資產。

為最大限度降低信貸風險，本集團已委任其經營管理委員會制定及維持本集團的信貸風險等級，以根據違約風險程度進行分類。

經營管理委員會使用其他公開財務資料及本集團的自有交易記錄對其主要客戶及其他債務人進行評級。如有必要，將會參考由獨立評級機構提供的信貸評級資料。本集團的風險及其交易對手方的信貸評級將被持續監控，並將所完成交易的總值分攤至經批准的交易對手方。

38. 財務風險管理 (續)

(d) 信貸風險 (續)

貿易應收賬款及合約資產 (續)

下表載列於二零一九年十二月三十一日本集團所面臨信貸風險及貿易應收賬款以及合約資產的預期信貸虧損 (不包括貿易應收賬款的特定虧損撥備) 的資料:

於二零一九年十二月三十一日

	即期至30天 人民幣千元	31至60天 人民幣千元	61至90天 人民幣千元	91至180天 人民幣千元	180天以上 人民幣千元	總計 人民幣千元
預期信貸虧損率	-	-	-	1.71%	42.43%	10.10%
賬面值總額	68,400	2,927	19	783	22,508	94,637
虧損撥備	-	-	-	(13)	(9,550)	(9,563)
	68,400	2,927	19	770	12,958	85,074

於二零一八年十二月三十一日

	即期至30天 人民幣千元	31至60天 人民幣千元	61至90天 人民幣千元	91至180天 人民幣千元	180天以上 人民幣千元	總計 人民幣千元
預期信貸虧損率	0.23%	1.49%	1.89%	1.64%	47.24%	10.13%
賬面值總額	111,960	537	1,375	4,752	31,371	149,995
虧損撥備	(262)	(8)	(26)	(78)	(14,821)	(15,195)
	111,698	529	1,349	4,674	16,550	134,800

預期虧損率乃根據應收賬款預期年內之歷史觀察違約率而估計，並就毋須付出不必要成本或努力即可取得之前瞻性資料作出調整。

本集團貿易應收賬款於二零一九年及二零一八年的減值撥備變動如下:

	二零一九年 人民幣千元	二零一八年 人民幣千元
於一月一日	46,931	43,151
(減值撥回)/減值虧損	(2,998)	9,131
撤銷金額	(4,337)	(5,351)
於十二月三十一日	39,596	46,931

38. 財務風險管理 (續)

(d) 信貸風險 (續)

貿易應收賬款及合約資產 (續)

合約資產於截至二零一九年及二零一八年十二月三十一日止年度的減值變動如下：

	二零一九年 人民幣千元	二零一八年 人民幣千元
於一月一日	230	486
減值虧損撥回	(11)	(256)
於十二月三十一日	219	230

下表載列本集團有關貿易應收賬款及合約資產以外金融資產的信貸風險分級框架：

類別	說明	確認預期信貸虧損的依據
履約	就違約風險較低或自初步確認後信貸風險並未顯著上升且並無信貸減值的金融資產 (稱為第一階段)	十二個月預期信貸虧損
存疑	就自初步確認後信貸風險顯著上升但並無信貸減值的金融資產 (稱為第二階段)	全期預期信貸虧損—未發生信貸減值
違約	當發生會對金融資產估計未來現金流量造成不利影響的一項或多項事件，則有關金融資產被評定為信貸減值 (稱為第三階段)	全期預期信貸虧損—已發生信貸減值
撤銷	有證據顯示債務人面臨嚴重財務困難，而本集團無實際收回的可能	撤銷有關金額

38. 財務風險管理 (續)

(d) 信貸風險 (續)

其他應收款項及應收貸款

就其他應收款項及應收貸款而言，本集團已採用香港財務報告準則第9號的一般方法按約十二個月預期信貸虧損計量虧損撥備，原因是本公司董事預期信貸風險並無顯著增加。因此，並無確認虧損撥備。

按公平值計入其他全面收益的銀行結餘、限制性銀行結餘及應收款項

於報告期末，按公平值計入其他全面收益的銀行結餘、限制性銀行結餘及應收款項已被釐定為低風險。由於交易對手為具有良好聲譽的銀行及於到期日無力償還及贖回的風險為低，故按公平值計入其他全面收益的銀行結餘、限制性銀行結餘及應收賬款的信貸風險屬於有限。

應收關聯方款項

經參考本集團同系附屬公司、最終控股公司之聯營公司、合營企業、聯營公司及一間聯營公司之附屬公司所提供的流動資金狀況及歷史結算方式，本集團已評定應收該等關聯方款項的預期信貸虧損並不重大。因此，並無確認任何虧損撥備。

(e) 流動資金風險

為管理流動資金風險，本集團監察及維持現金及現金等值物以及未使用信貸額度於管理層認為足以應付本集團營運所需資金的水平，以及減少現金流量波動之影響。下表根據報告日期至合約到期日之餘下期間將本集團之金融負債按相關到期組別進行分析。

	按要求償還或 少於一年 人民幣千元	二至五年 人民幣千元	未貼現 現金流量總額 人民幣千元	賬面總值 人民幣千元
於二零一九年十二月三十一日				
貿易應付賬款及其他應付款項	389,300	-	389,300	389,300
銀行借貸－浮動利率	415,721	-	415,721	400,071
其他借貸	-	43,522	43,522	36,760
應付最終控股公司款項	157	-	157	157
應付直接控股公司款項	815	-	815	815
應付同系附屬公司及最終控股公司的 聯營公司款項	2,457	-	2,457	2,457
應付合營企業款項	380	-	380	380
應付一間聯營公司及一間聯營公司的 附屬公司款項	23,481	-	23,481	23,481
財務擔保 (附註)	13,091	-	13,091	-

附註：

該金額乃按本集團擔保之有關相關財務擔保合同所指償還約定期限而分類。

38. 財務風險管理 (續)

(e) 流動資金風險 (續)

	按要求償還或 少於一年 人民幣千元	二至五年 人民幣千元	未貼現 現金流量總額 人民幣千元	賬面總值 人民幣千元
於二零一八年十二月三十一日				
貿易應付賬款及其他應付款項	196,431	-	196,431	196,431
銀行借貸—浮動利率	579,246	-	579,246	563,239
其他借貸	-	43,522	43,522	35,093
應付最終控股公司款項	638	-	638	638
應付直接控股公司款項	2,832	-	2,832	2,832
應付合營企業款項	362	-	362	362
應付同系附屬公司及最終控股公司的 聯營公司款項	3,637	-	3,637	3,637
應付一間聯營公司及一間聯營公司的 附屬公司款項	28,435	-	28,435	28,435

倘浮動利率的變動與於報告期末釐定的利率估計有異，則上文所載有關浮動利率工具的金額會有所變動。

(f) 於二零一九年十二月三十一日的金融工具類別

	二零一九年 人民幣千元	二零一八年 人民幣千元
金融資產：		
按公平值計入其他全面收益的應收款項—債務工具	101,945	106,400
按公平值計入損益之金融資產—持作買賣	-	108,020
按攤銷成本計量之金融資產	683,849	670,927
	785,794	885,347
金融負債：		
按攤銷成本計量之金融負債	853,421	830,667

38. 財務風險管理 (續)

(g) 公平值

本集團於綜合財務狀況表列賬之金融資產及金融負債的賬面值與其公平值相若。

(h) 轉讓金融資產

於二零一九年十二月三十一日，本集團已通過背書票據向供應商轉讓人民幣52,986,000元（二零一八年：人民幣75,770,000元）。

由於該等票據由高信貸評級之銀行發行，本集團管理層已評估及信納本集團已轉讓該等票據之絕大部分風險及回報。本集團已取消確認上述票據之所有賬面值及相應貿易應付賬款。

39. 公平值計量

公平值乃指市場參與者之間在計量日進行的有序交易中出售一項資產所收取的價格或轉移一項負債所支付的價格。以下公平值計量披露使用之公平值層級，將估值技術所用輸入數據分為三個等級，以計量公平值：

第1級輸入數據：本集團於計量日期可以取得的相同資產或負債於活躍市場的報價（未經調整）。

第2級輸入數據：就資產或負債直接或間接地可觀察的輸入數據（第1級內包括的報價除外）。

第3級輸入數據：資產或負債的不可觀察輸入數據。

39. 公平值計量 (續)

於事件或導致轉讓之情況改變當日，本集團之政策乃確認轉入及轉出三級中任何一級。

(a) 於二零一九年十二月三十一日的公平值層級披露：

經常性公平值計量：

金融資產	公平值		公平值級別	估值技術及主要輸入數據	重大不可觀察輸入數據
	二零一九年 十二月三十一日	二零一八年 十二月三十一日			
按公平值計入 其他全面收益 之應收款項	按公平值計入 其他全面收益之 應收款項 人民幣101,945,000元	按公平值計入 其他全面收益之 應收款項人民幣 106,400,000元	第2級	使用貼現現金流量法獲得將自應收款 項取得的現金流量的現值。	不適用
按公平值計入 損益之金融 資產	零	非上市金融產品： 人民幣108,020,000元	第3級	使用貼現現金流量法獲得將自該等投 資對象的擁有權取得的預期未來經 濟利益的現值。	投資預測收益率

(b) 第3級公平值計量之資產之對賬：

本集團按公平值計入損益之金融資產乃屬公平值第三層級。該等公平值乃根據貼現現金流量法釐定，估計未來現金流量已按反映截至結算日時間價值的貼現利率貼現。

	按公平值計入損益 之金融資產 人民幣千元
於二零一八年一月一日	76,140
採購	539,680
結算	(507,800)
於二零一八年十二月三十一日及二零一九年一月一日	108,020
採購	109,635
結算	(217,655)
於二零一九年十二月三十一日	-

40. 關連人士交易

除綜合財務報表其他章節所披露的該等關連人士交易及結餘外，本集團於年內亦與其關連人士進行以下交易：

(a) 交易

公司名稱	關係	交易性質	二零一九年 人民幣千元	二零一八年 人民幣千元
最終控股公司				
友嘉實業	最終控股公司	銷售貨品	-	711
		採購貨品	7,996	19,764
		購買服務	4,054	-
直接控股公司				
友佳實業香港	直接控股公司	採購貨品	37,182	57,811
同系附屬公司及最終控股公司之聯營公司				
池貝(上海)機械設備有限公司	同系附屬公司	採購貨品	433	1,463
友銓電子股份有限公司 (「友銓」)	最終控股公司之聯營公司	銷售貨品	4	2
		利息收入	70	-
杭州友嘉高松機械有限公司 (「友嘉高松」)	最終控股公司之聯營公司	採購貨品	-	113
		提供服務	1,568	1,322
		租金收入	82	68
FFG DMC Co.,Ltd. (「FFG DMC」)	同系附屬公司	銷售貨品	739	-
		採購貨品	3,683	-
SMS Holding Co., Inc (「SMS Holding」)	同系附屬公司	銷售貨品	80	6

40. 關連人士交易 (續)

(a) 交易 (續)

公司名稱	關係	交易性質	二零一九年 人民幣千元	二零一八年 人民幣千元
合營企業				
AIF	合營企業	銷售貨品	27	43
		採購貨品	–	132
		購買服務	–	11
		提供服務	1,213	1,213
		租金收入	46	55
Feeler Mectron	合營企業	採購貨品	–	2,802
		提供服務	362	198
		租金收入	53	53
Nippon Cable Feeler	合營企業	購買服務	83	68
		提供服務	21	20
		租金收入	8	8
UFM	合營企業	銷售貨品	3	10
		採購貨品	1,684	2,298
		提供服務	86	62
		利息收入	15	20
聯營公司及聯營公司之附屬公司				
FFG Werke	聯營公司	採購貨品	–	3,511
		賠償收入	72,667	–
Jobs Automazione S.p.A. (「Jobs」)	一間聯營公司之附屬公司	採購貨品	3,696	–
FFG Europe & Americas (Shanghai) IAS Co., Ltd. (「FFG (Shanghai)」)	一間聯營公司之附屬公司	利息收入	397	–

附註：

- (a) 上述買賣交易的條款乃根據本公司與各關連人士訂立的框架協議規管。
 (b) 租金收入乃根據訂約方共同協定之條款收取。

40. 關連人士交易 (續)

(b) 結餘

公司名稱	關係	交易性質	二零一九年 人民幣千元	二零一八年 人民幣千元
最終控股公司				
友嘉實業	最終控股公司	貿易應付賬款 (附註(ii))	(157)	(510)
		預收 (附註(ii))	-	(128)
指：				
		應付最終控股公司款項	(157)	(638)
直接控股公司				
友佳實業香港	直接控股公司	貿易應付賬款 (附註(ii))	(815)	(2,832)
同系附屬公司及最終控股公司之聯營公司				
EQUIPTOP HITECH CORP.	同系附屬公司	貿易應付賬款 (附註(ii))	-	(144)
		預收 (附註(ii))	-	(124)
SANCO	同系附屬公司	貿易應付賬款 (附註(ii))	(2,144)	(3,253)
友銓	最終控股公司之 聯營公司	貿易應收賬款 (附註(i))	-	1
		其他應收賬款 (附註(ii))	2,950	-
友嘉高松	最終控股公司之 聯營公司	貿易應收賬款 (附註(i))	151	-
		其他應收賬款 (附註(ii))	39	22

40. 關連人士交易 (續)

(b) 結餘 (續)

公司名稱	關係	交易性質	二零一九年 人民幣千元	二零一八年 人民幣千元
FFG DMC	同系附屬公司	貿易應收賬款 (附註(i))	160	-
		其他應收賬款 (附註(ii))	2,931	-
		貿易應付賬款 (附註(ii))	(303)	-
		預收 (附註(ii))	(10)	(116)
SMS Holding	同系附屬公司	貿易應收賬款 (附註(i))	17	-
指：				
應收同系附屬公司及最終控股公司之聯營公司款項			6,248	23
應付同系附屬公司及最終控股公司之聯營公司款項			(2,457)	(3,637)
合營企業				
AIF	合營企業	其他應收賬款 (附註(ii))	116	127
		貿易應付賬款 (附註(ii))	-	(42)
Feeler Mectron	合營企業	貿易應收賬款 (附註(i))	52	-
		其他應收賬款 (附註(ii))	19	-
		貿易應付賬款 (附註(ii))	-	(33)

40. 關連人士交易 (續)

(b) 結餘 (續)

公司名稱	關係	交易性質	二零一九年 人民幣千元	二零一八年 人民幣千元
UFM	合營企業	貿易應付賬款 (附註(ii))	(379)	(287)
		其他應收賬款 (附註(ii))	316	319
		貿易應收賬款 (附註(i))	-	6
Nippon Cable Feeler	合營企業	其他應收賬款 (附註(ii))	9	9
		其他應付賬款 (附註(ii))	(1)	-
指：				
應收合營企業款項			512	461
應付合營企業款項			(380)	(362)
聯營公司及一間聯營公司之附屬公司				
FFG Werke	聯營公司	墊款 (附註(iii))	-	1,357
		貿易應付賬款 (附註(ii))	(23,481)	(24,679)
		其他應收賬款 (附註(ii))	1,724	386
		股東貸款 (附註(ii))	38,893	20,978
		應收賠償 (附註(iii))	72,667	-

40. 關連人士交易 (續)

(b) 結餘 (續)

公司名稱	關係	交易性質	二零一九年 人民幣千元	二零一八年 人民幣千元
FFG Europe	聯營公司	其他應收賬款 (附註(iii))	766	766
		股東貸款 (附註(iii))	38,073	36,089
FFG EA	聯營公司	其他應收賬款 (附註(ii))	7,683	54,791
Grinding technology S.r.l	一間聯營公司之 附屬公司	其他應收賬款 (附註(ii))	9,531	9,463
Jobs	一間聯營公司之 附屬公司	其他應收賬款 (附註(iii))	23,365	17,333
		貿易應付賬款 (附註(ii))	-	(2,844)
		其他應付賬款 (附註(ii))	-	(912)
MAG	一間聯營公司之 附屬公司	其他應收賬款 (附註(ii))	-	575
MAG IAS GmbH	一間聯營公司之 附屬公司	其他應收賬款 (附註(ii))	18,772	-
FFG (Shanghai)	一間聯營公司之 附屬公司	貿易應收賬款 (附註(ii))	14,397	-

40. 關連人士交易 (續)

(b) 結餘 (續)

公司名稱	關係	交易性質	二零一九年 人民幣千元	二零一八年 人民幣千元
Sky Thrive Rambaudi S.r.l	一間聯營公司之 附屬公司	其他應收賬款 (附註(iii))	3,227	3,239
		股東貸款 (附註(iii))	6,057	6,082
指：				
		應收聯營公司及一間聯營公司之附屬公司款項	235,155	151,059
		應付一間聯營公司及一間聯營公司之附屬公司款項	(23,481)	(28,435)

附註：

- (i) 就與上述各方進行的銷售而言，本集團給予的一般信貸期為30至180天。結餘為無抵押及免息。
- (ii) 結餘為無抵押、免息及須按要求償還。
- (iii) 結餘為無抵押、免息及須按要求償還。最終控股公司已出具擔保書，承諾於該等關聯方未能於到期時履行責任時向本集團償還未償還結餘。

(c) 主要管理人員報酬

年內，董事及其他主要管理人員的酬金如下：

	二零一九年 人民幣千元	二零一八年 人民幣千元
薪金及補貼	2,265	2,090
酌情表現相關花紅	1,252	1,427
退休福利計劃供款	68	57
	3,585	3,574

41. 財務擔保合約

於二零一九年六月，本公司根據本集團若干聯營公司MAG IAS GmbH及FFG Werke各自與獨立第三方的採購合約就彼等各自的付款責任向獨立第三方出具擔保，最大額度分別為11,000,000歐元（相當於人民幣85,971,000元）及2,000,000歐元（相當於人民幣15,631,000元）。於二零一九年十二月三十一日，MAG IAS GmbH及FFG Werke向獨立第三方的付款責任總額分別為764,000歐元（相當於人民幣5,971,000元）及911,000歐元（相當於人民幣7,120,000元）。

本集團管理層估計上述實體之違約風險甚微，故該等財務擔保及其公平值產生之信貸虧損風險並不重大。

42. 資產抵押

	二零一九年 人民幣千元	二零一八年 人民幣千元
使用權資產／預付租賃款項	82,484	87,600
物業、廠房及設備	—	7,763
貿易融資信貸的受限制銀行結餘	43,728	15,900
	126,212	111,263

本集團已抵押其使用權資產／預付租賃款項以及樓宇作本集團其他借貸之擔保。本集團之限制性銀行結餘主要指本集團為就本集團應付票據及融資信貸出具擔保而存放於銀行的存款。

43. 報告期後事項

於二零二零年初新型冠狀病毒爆發後，一系列預防及控制措施已並將繼續在全球範圍內實施。本集團密切關注新型冠狀病毒爆發的進展及其對業務和經濟活動所造成的影響，並評估其對本集團財務狀況、現金流量及經營業績的影響。鑒於新型冠狀病毒爆發的動態性，無法於該等財務報表授權刊發當日就其對本集團的財務狀況、現金流量及經營業績的影響作出合理估計。

44. 本公司財務狀況表資料

	二零一九年 人民幣千元	二零一八年 人民幣千元
非流動資產		
於附屬公司的投資	52,840	52,837
於合營企業的投資	27,666	27,666
應收附屬公司款項	290,890	551,628
	371,396	632,131
流動資產		
貿易及其他應收賬款及預付款項	6,683	17,859
應收聯營公司及一間聯營公司之附屬公司款項	196,319	147,430
銀行結餘及現金	27,453	39,615
	230,455	204,904
流動負債		
其他應付款項及應計費用	8,317	15,546
應付附屬公司款項	309,575	3,543
應付一間聯營公司及一間聯營公司之附屬公司款項	–	2,513
應付最終控股公司款項	–	–
銀行借貸	309,769	550,454
	627,661	572,056
流動負債淨額	(397,206)	(367,152)
總資產減流動負債	(25,810)	264,979

已於二零二零年五月十二日獲董事會批准，並由下列董事代表簽署：

朱志洋
董事

溫吉堂
董事

44. 本公司財務狀況表資料 (續)

	二零一九年 人民幣千元	二零一八年 人民幣千元
資本及儲備		
股本	4,021	4,022
股份溢價	82,183	82,281
其他儲備	59,647	7,973
(累計虧損)/保留盈利	(171,661)	170,703
總權益	(25,180)	264,979

截至二零一九年及二零一八年十二月三十一日止年度本公司儲備變動情況如下：

	股份溢價 人民幣千元	其他儲備 人民幣千元	保留盈利/ (累計虧損) 人民幣千元	總計 人民幣千元
於二零一八年一月一日	82,281	7,973	299,305	389,559
虧損及全面開支總額	-	-	(84,250)	(84,250)
確認為分派之股息	-	-	(44,352)	(44,352)
於二零一八年十二月三十一日 及二零一九年一月一日	82,281	7,973	170,703	260,957
虧損及全面開支總額	-	51,674	(342,364)	(290,690)
購回及註銷股份	(98)	-	-	(98)
於二零一九年十二月三十一日	82,183	59,647	(171,661)	(29,831)

經營業績

截至十二月三十一日止年度

	二零一五年 人民幣千元	二零一六年 人民幣千元	二零一七年 人民幣千元	二零一八年 人民幣千元	二零一九年 人民幣千元
收益	990,239	1,082,336	1,294,801	1,090,693	910,695
毛利	267,925	295,151	312,515	290,727	209,098
除所得稅前溢利／(虧損)	55,952	87,650	85,066	(42,730)	34,228
本公司擁有人應佔溢利／(虧損)	46,097	60,749	65,690	(57,724)	12,159
每股盈利／(虧損)－基本(人民幣)	0.11	0.15	0.16	(0.14)	0.03

資產與負債

於十二月三十一日

	二零一五年 人民幣千元	二零一六年 人民幣千元	二零一七年 人民幣千元	二零一八年 人民幣千元	二零一九年 人民幣千元
非流動資產	589,531	743,761	703,361	706,420	786,085
流動資產淨值	154,908	121,487	185,223	115,271	34,618
非流動負債	–	(61,180)	(61,180)	(105,285)	(112,224)
資產淨值	744,439	804,068	827,404	716,406	708,479
股本	4,022	4,022	4,022	4,022	4,021
儲備	740,417	800,046	823,382	712,384	704,458
股東權益	744,439	804,068	827,404	716,406	708,479

附 件 五

GOOD FRIEND INTERNATIONAL HOLDINGS INC. 友佳國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2398



**ANNUAL
REPORT
2019**

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

CHU Chih-Yaung
(Chairman and Chief Executive Officer)

CHEN Min-Ho
WEN Chi-Tang
CHIU Rung-Hsien

Independent Non-Executive Directors

KOO Fook Sun, Louis
YU Yu-Tang
KAO Wen-Cheng

COMPANY SECRETARY

LO Tai On

AUTHORISED REPRESENTATIVES

CHU Chih-Yaung
CHIU Rung-Hsien

LEGAL ADVISERS AS TO HONG KONG LAW

Woo Kwan Lee & Lo

AUDIT COMMITTEE

KOO Fook Sun, Louis *(Chairman of the Committee)*
YU Yu-Tang
KAO Wen-Cheng

REMUNERATION COMMITTEE

KOO Fook Sun, Louis *(Chairman of the Committee)*
YU Yu-Tang
KAO Wen-Cheng

NOMINATION COMMITTEE

KOO Fook Sun, Louis *(Chairman of the Committee)*
YU Yu-Tang
KAO Wen-Cheng

AUDITOR

RSM Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2003, 20th Floor
Kai Tak Commercial Building
317-319 Des Voeux Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 120 Shixin North Road
Xiaoshan Economic and Technological
Development Zone
Xiaoshan District
Hangzhou City
Zhejiang Province
The PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China
Hang Seng Bank Limited
Industrial and Commercial Bank of China
KGI Bank
Mega International Commercial Bank
Taiwan Shin Kong Commercial Bank
Bank SinoPac
Bangkok Bank

STOCK CODE

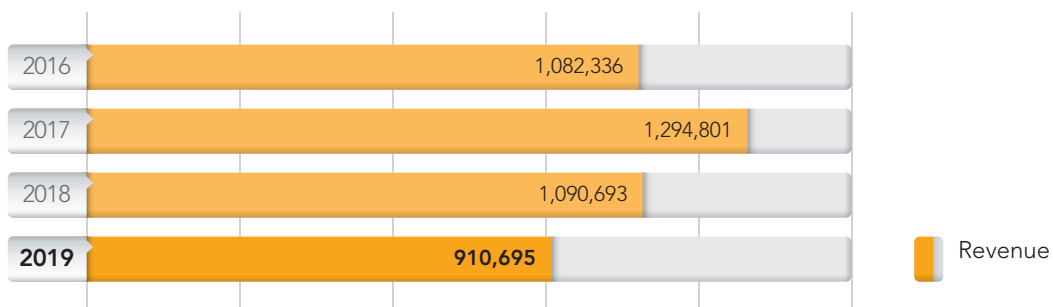
2398

WEBSITE

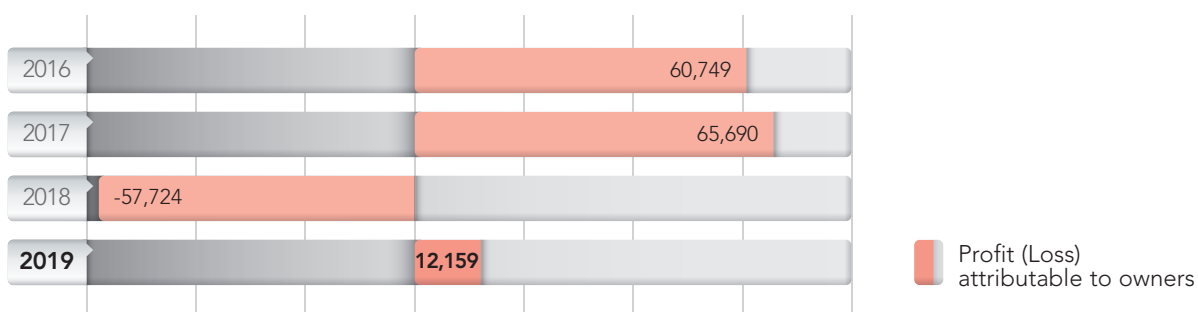
<http://www.goodfriend.hk>

Financial Highlights

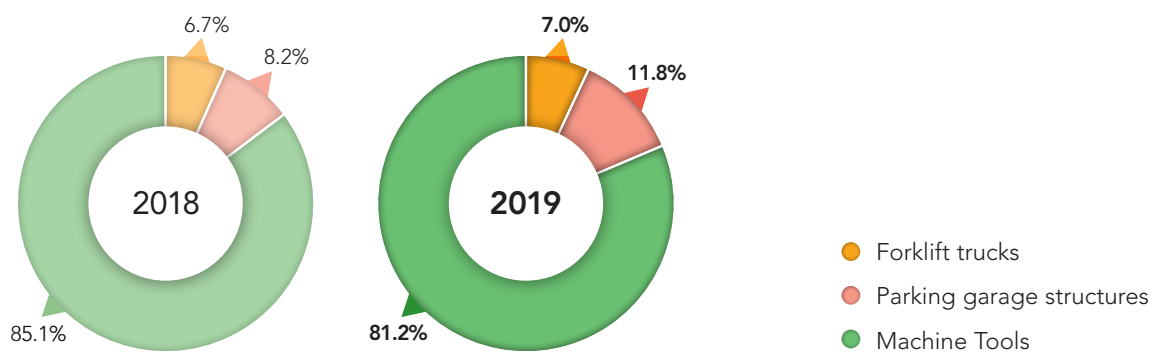
REVENUE (RMB'000)



PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY (RMB'000)



BUSINESS SEGMENTS (In terms of revenue)



TWO-YEAR COMPARISON OF FINANCIAL FIGURES

For the year ended 31 December

	2019 RMB'000	2018 RMB'000	Change (%)
Revenue	910,695	1,090,693	(16.5)%
Gross profit	209,098	290,727	(28.1)%
Profit(Loss) attributable to owners	12,159	(57,724)	121.1%
Shareholders' equity	708,479	716,406	(1.1)%
Total assets	2,124,080	2,210,864	(3.9)%
Earnings (Loss) per share – basic (RMB)	0.03	(0.14)	121.4%

SUMMARY OF KEY FINANCIAL RATIOS

For the year ended 31 December

	2019	2018	Change (%)
Gross profit margin ^{Note 1}	23.0%	26.7%	(13.9)%
Net profit (loss) margin ^{Note 2}	1.3%	(5.3)%	124.5%
Inventory turnover days ^{Note 3}	256.5	239.4	7.1%
Debtors' turnover days ^{Note 4}	74.5	92.7	(19.6)%
Creditors' turnover days ^{Note 5}	84.7	74.8	13.2%
Current ratio (Times) ^{Note 6}	1.0	1.1	(9.1)%
Quick ratio (Times) ^{Note 7}	0.6	0.7	(14.3)%
Gearing ratio (%) ^{Note 8}	18.8%	25.5%	(26.3)%
Return on equity (%) ^{Note 9}	1.7%	(8.1)%	121.0%

Note 1: Gross profit margin is calculated as gross profit divided by revenue.

Note 2: Net profit (loss) margin is calculated as profit (loss) attributable to owners divided by revenue.

Note 3: Inventory turnover days is calculated as the ending inventory divided by cost of revenue and multiplied by 365 days.

Note 4: Debtors' turnover days is calculated as the ending trade debtors divided by revenue and multiplied by 365 days.

Note 5: Creditors' turnover days is calculated as the ending trade creditors divided by cost of revenue and multiplied by 365 days.

Note 6: Current ratio is calculated as total current assets divided by total current liabilities at the end of the corresponding year. The numbers in the above table are expressed in the form of ratio and not as a percentage.

Note 7: Quick ratio is calculated as total current assets excluding inventories divided by total current liabilities at the end of the corresponding year. The numbers in the above table are expressed in the form of ratio and not as a percentage.

Note 8: Gearing ratio is calculated as total debts divided by total assets at the end of the year. Total debts refer to total interest bearing liabilities at the end of the year.

Note 9: Return on equity is calculated as profit (loss) attributable to owners divided by total shareholders' equity at the end of the corresponding year.

Chairman's Statement



I hereby present on behalf of the board (the "Board") of directors (the "Directors") to the shareholders the report on the results of Good Friend International Holdings Inc. (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2019 (the "year").

FINANCIAL PERFORMANCE

For the year ended 31 December 2019, the Group recorded revenue of approximately RMB910.70 million, representing a decrease of approximately 16.5% compared to 2018. Profit attributable to owners amounted to approximately RMB12.16 million was recorded in the current year; whilst in 2018 loss attributable to owners amounted to approximately RMB57.72million.

FINAL DIVIDEND

The Board resolved not to recommend a final dividend for the year ended 31 December 2019 (2018: Nil).

BUSINESS REVIEW

According to the economic data released by the National Bureau of Statistics of China, China's gross domestic product (GDP) grew by a year-on-year rate of 6.1% in 2019, representing a generally stable economic development in China. For the year ended 31 December 2019. Sales volume and sales revenue of the Group's major products CNC machines tools amounted to 1,527 units and RMB739.06 million respectively.

PROSPECTS

With the COVID-19 coronavirus outbreak, China's economic prospects in 2020 will be full of challenges. The management remain cautions about China's economic prospects. The Group will keep close track on market situation in order to capture business opportunity and reduce operation risks.

Looking ahead, with the current complex economic environment, the Group will continue to strengthen its business foundation under a consistent cautious manner under tough market environment, in order to weather against the volatility and uncertainty of the market condition ahead. The management is optimistic on the long-term development prospects of the Group.

The management will also strive to control operating costs for achieving better operating results, in order to bring favorable returns to the shareholders of the Company.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank all the staff and management team for their hard work in the past year. I would also like to express heartfelt thanks to all of the customers and suppliers.

CHU Chih-Yaung

Chairman

Hong Kong, 31 March 2020



Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group recorded revenue of approximately RMB910.70 million, representing a decrease of approximately 16.5% as compared to 2018. During the year, sales volume of CNC machine tools, parking garage structures and forklift trucks amounted to 1,527 units, 7,792 units and 841 units respectively (2018 comparative figures: 2,028 units, 10,902 units and 999 units). CNC machine tools remained the major source of the Group's revenue. During the year, sales revenue of CNC machine tools business amounted to approximately RMB739.06 million, representing a decrease of approximately 20.4% as compared to 2018. Revenue of CNC machine tools accounted for approximately 81.2% of the Group's total revenue. On the other hand, sales revenue of the Group's parking garage structures business amounted to approximately RMB107.35 million during the year, representing an increase of approximately 19.5% as compared to 2018 and accounted for approximately 11.8% of the total revenue. Moreover, sales revenue of the Group's forklift trucks business during the year decreased by approximately 11.4%, as compared to 2018, to approximately RMB64.29 million and approximately 7.0% of the Group's total revenue.

Gross profit and margin

For the year ended 31 December 2019, gross profit of the Group amounted to approximately RMB209.10 million. Overall gross profit margin was approximately 23.0%, compared to 26.7% for 2018. The gross profit margin of CNC machine tools (the Group's major product) during the year was approximately 25.6%.

Other income

During the year, other income included a compensation income of approximately RMB72.67 million, representing compensation from FFG Werke GmbH (supplier of the corresponding CNC machine tools products) to the Group in respect of the litigation raised by a customer to the Group's subsidiaries as disclosed in the 2018 annual report of the Company.

Distribution and selling expenses

Distribution and selling expenses, amounted to approximately RMB121.93 million for the year ended 31 December 2019, decreased by approximately 8.1% as compared to last year. During the year, distribution and selling expenses as a percentage of the Group's revenue amounted to approximately 13.4%, compared to approximately 12.2% for 2018.

Administrative expenses

Administrative expenses for the year ended 31 December 2019 increased by approximately 11.6% as compared to 2018. This was mainly due to the increase of the staff costs and office expenses during the year.

Other gains and losses

Other gains and losses represented mainly foreign exchange loss during the year.

Management Discussion and Analysis

Finance costs

During the year, finance costs increased to approximately RMB24.74 million. This was primarily due to the increase of average bank borrowings of the Group during 2019.

Share of loss of associates

For the year ended 31 December 2019, share of loss of associates amounted to approximately RMB57.09 million. The amount represented the Group's share of results of "FFG European and American Holdings GmbH" (an associate located in Germany) during the year.

Profit attributable to owners of the Company

For the year ended 31 December 2019, profit attributable to owners of the Company amounted to approximately RMB12.16 million. For the year ended 31 December 2018, loss attributable to owners of the Company amounted to approximately RMB57.72 million.

Liquidity and financial resources

As at 31 December 2019, the Group had net current assets of approximately RMB34.62 million (2018: RMB115.27 million), shareholders' fund of approximately RMB708.48 million (2018: RMB716.41 million) and short-term bank borrowings of approximately RMB400.07 million (2018: RMB563.24 million). The Group's working capital was financed by internal cash flows generated from its operation and existing banking facilities.

Bank balances and cash as at 31 December 2019 amounted to approximately RMB74.86 million (2018: RMB112.67 million). The current ratio (ratio of total current assets to total current liabilities) of the Group was approximately 1.0 times (2018: 1.1 times). The gearing ratio (ratio of total debts to total assets) was approximately 18.8% (2018: 25.5%), indicating that the Group continued to maintain solid financial position.

Capital structure and treasury policies

The share capital of the Company as at 31 December 2019 was HK\$4,030,740 divided into 403,074,000 shares of HK\$0.01 each (at 31 December 2018: HK\$4,032,000 divided into 403,200,000 shares of HK\$0.01 each).

The Group generally finances its operations with internally generated cash flows and loans facilities provided by banks. As at 31 December 2019, the total outstanding short-term borrowings stood at approximately RMB400.07 million (2018: RMB563.24 million). Borrowing methods used by the Group mainly include bank loans. The Group had no interest rate hedging arrangement during the year.

SIGNIFICANT INVESTMENT

The Group had no significant investment held for the year ended 31 December 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group had no material acquisitions or disposals of subsidiaries or associates during the year ended 31 December 2019.

SEGMENTAL INFORMATION

Details of segmental information for the year ended 31 December 2019 are set out in note 6B to the consolidated financial statements.

Staff and remuneration policies

As at 31 December 2019, the Group employed a total of 1,080 (2018: 1,160) full-time employees in Hong Kong and China. The total staff costs (including Directors' fee and emoluments) amounted to approximately RMB154.02 million (2018: RMB152.51 million). The salary review policies of the Group are determined with reference to the market trends, future plans and the performance of individuals in various aspects and are reviewed periodically.

The Company had adopted on 2 June 2016 a share option scheme for the purpose of providing incentive and rewards to eligible participants for their contributions to the Group. No share option was granted by the Group since its adoption.

The employees of the Company's subsidiaries join a state-managed social welfare scheme operated by the local government of China and the employees in Hong Kong participate in the Mandatory Provident Fund Scheme. During the year ended 31 December 2019, the Group contributed approximately RMB5.54 million (2018: RMB4.91 million) to the said schemes.

Capital commitments and contingencies

The Group's capital expenditure commitments for property, plant and equipment amounted to approximately RMB24.25 million (2018: RMB53.13 million) which are contracted but not provided in the consolidated financial statements for the year ended 31 December 2019. The Group had no material contingent liabilities as at 31 December 2019 (2018: Nil).

Charges on the Group's assets

As at 31 December 2019, the Group had restricted bank balances with an amount of approximately RMB106.33 million (2018: RMB69.99 million), which mainly represented bank balances being frozen by banks in relation to a litigation claim raised by a customer, as well as deposits placed in banks for acceptance bills.

Meanwhile, a subsidiary of the Company pledged its right-of-use assets/prepaid lease payments with an aggregate carrying amount of approximately RMB82.48 million (2018: RMB95.36 million) to secure financing facilities granted to it. As at 31 December 2019, the subsidiary has utilized such secured financing facilities of approximately RMB36.76 million (2018: RMB35.09 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments and acquisition of material capital assets as at 31 December 2019. However, the Group will continue to seek new business development opportunities.

Foreign exchange risk

The Group mainly operates in China. During the year ended 31 December 2019, the Group collected most of its revenue in Renminbi, some of which were converted into foreign currencies such as Hong Kong dollars, United States dollars, Euro and other foreign currencies for the payment of imported parts and components. As such, the Group had a certain level of exposure to foreign exchange fluctuations. The Group had no hedging activities during the year. However, the management of the Group has been monitoring the exchange rate risk, and will consider hedging against major foreign currency risk when required.

Renminbi currently is not a freely convertible currency. A portion of the Group's Renminbi revenue or profit must be converted into other currencies to meet foreign currency obligations of the Group such as the payment of dividends, if declared.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chu Chih-Yaung (朱志洋先生), aged 73, was appointed as an executive Director and the Chief Executive Officer in September 2005 and December 2018 respectively. He is the Chairman of the Board responsible for the Group's overall strategic planning, management, business development, and the formulation of the Group's corporate policies. Mr. Chu has more than 30 years of experience in the mechanics, manufacturing and machine tools industry. Mr. Chu is also a director of Hangzhou Global Friend Precision Machinery Co., Ltd. and Hangzhou Ever Friend Precision Machinery Co., Ltd., both are wholly-owned subsidiaries of the Company.

Mr. Chen Min-Ho (陳明河先生), aged 69, was appointed as an executive Director in December 2005. He is responsible for the overall business operation of the Group. Mr. Chen has more than 15 years of experience in mechanics, manufacturing and machine tools industry. He is also a director of Hangzhou Good Friend Precision Machinery Co., Ltd., Rich Friend (Shanghai) Precision Machinery Co., Ltd., Hangzhou Glory Friend Machinery Technology Co., Ltd and Huller Hille (Shanghai) Machinery Co., Ltd. He joined the Group in 1993.

Mr. Wen Chi-Tang (溫吉堂先生), aged 55, was appointed as an executive Director in December 2005. He was the vice general manager of machine tools division of Hangzhou Good Friend Precision Machinery Co., Ltd. and then was promoted as the general manager with effect from 1 January 2011. He is responsible for the production and operation of this division. Mr. Wen has more than 34 years of experience in the machine tools industry. He is also a director of Hangzhou Good Friend Precision Machinery Co., Ltd., Hangzhou Global Friend Precision Machinery Co., Ltd., Hangzhou Ever Friend Precision Machinery Co., Ltd. and Hangzhou Glory Friend Machinery Technology Co., Ltd. He joined the Group in 2003.

Mr. Chiu Rung-Hsien (邱榮賢先生), aged 62, was appointed as an executive Director in December 2005. He was the manager of the parking garage structures division of Hangzhou Good Friend Precision Machinery Co., Ltd. and then was promoted as the senior manager with effect from 1 January 2011. He is responsible for the production and operation of this division. Mr. Chiu has more than 35 years of experience in the mechanics and manufacturing industry. He joined the Group in 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Koo Fook Sun, Louis (顧福身先生), aged 63, was appointed as an independent non-executive Director in December 2005 and is the chairman of the audit committee, the remuneration committee and the nomination committee of the Company. He has more than 20 years of experience in investment banking and professional accounting. Mr. Koo currently act as an independent non-executive director of Li Ning Company Limited, Xingda International Holdings Limited and Winfull Group Holdings Limited, all of which are companies listed on the Main Board of the Stock Exchange. He acted as an independent non-executive director of Midland Holdings Limited, which is listed on the Main Board of the Stock Exchange until June 2017. He is a certified public accountant.

Mr. Yu Yu-Tang (余玉堂先生), aged 83, was appointed as an independent non-executive Director in December 2005 and is a member of the audit committee, nomination committee and remuneration committee of the Company. He was a consultant of the Taiwan Hsin Chu County Government (台灣新竹縣政府) and the Provincial Government.

Biographical Details of Directors and Senior Management

Mr. Kao Wen-Cheng (高文誠先生), aged 60, was appointed as an independent non-executive Director on 10 January 2020 and is a member of the audit committee, nomination committee and remuneration committee of the Company. Mr. Kao has previously served at the Petitions and Appeals Committee of the Ministry of Economic Affairs, R.O.C. and the office of the Vice President of the Legislative Yuan, R.O.C. From 2008 to 2012, he served as the deputy general secretary of the Straits Exchange Foundation, R.O.C. (財團法人海峽交流基金會). From 2012 to 2018, he served as the deputy general secretary of The Third Wednesday Club (中華民國三三企業交流會). From 2012 to 2017, he served as a consultant of China Trust Commercial Bank, and is currently a specialized committee member of the Chairman's Office of China Trust Commercial Bank. From 2012 to 2019, he served as the general secretary of the Straits Economic and Cultural Interchange Association (海峽兩岸經貿文化交流協會), and is currently the vice-chairman of the association. Currently, Mr. Kao is also an independent director of Jiangsu Longchen Greentech Co., Ltd. (江蘇榮成環保科技股份有限公司).

SENIOR MANAGEMENT

Mr. Chiang Chia-Shin (強家鑫先生), aged 61, was appointed as the manufacturing, marketing and after sales service manager of Hangzhou Global Friend and is responsible for the manufacturing, operating, marketing and after sales service of forklifts trucks in Mainland China. Mr. Chiang graduated from mechanical engineering department of Taiwan Fushin Institute Technology School (台灣復興工業專科學校) in 1979. He joined the Group in 1 July 2000 and has over 34 years of experience in the design, manufacturing and production of the motor vehicle parts and forklifts trucks.

Mr. Wu Li-Chen (吳立城先生), aged 58, was appointed as the manager of after sales services division of machine tools of Hangzhou Good Friend and then was promoted as the senior manager with effect from January 2014. He joined the Group in October 2000 and has over 35 years of experience in the machine tools industry.

Mr. Huang Fei-Hsiung (黃飛雄先生), aged 50, was appointed as the vice general manager of Hangzhou Good Friend and is responsible for the general administrative and management functions. Mr. Huang graduated from City University of Hong Kong in DBA with a degree in 2015. Before he joined the Group in May 2019, he served in Taiwan's listed companies and has over 25 years of experience in the fields of auditing, accounting and finance, business management.

Mr. Yip Sai Keung, Esmond (葉世強先生), aged 54, was appointed as the financial controller of the Company and is responsible for the finance and accounting functions of the Group. Mr. Yip holds a Bachelor of Social Sciences degree from the University of Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Yip joined the Group in November 2007 and has about 30 years of experience in the fields of corporate finance, auditing and accounting.

Report of the Directors

The board of directors of the Company (the "Board") is pleased to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the design and production of CNC machine tools, design and construction of three-dimensional car parking garage structures and design and assembling of forklift trucks.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" from pages 6 to 7 and pages 8 to 11 respectively of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES FOCUSING THE COMPANY

A description of possible risks and uncertainties that the Group may be facing are set out in the Chairman's Statement on pages 6 to 7 of this annual report. The financial risk management objectives and policies of the Group are set out in note 38 to the consolidated financial statements.

ENVIRONMENTAL POLICY

The Group has strong commitment towards environmental protection. It is the Group's policy to encourage and promote awareness towards environmental protection to our employees. It has implemented green office practices such as double-sided printing and copying, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance in the Group's offices. Moreover, the Group has been committed to operating in compliance with applicable environmental laws and regulations and has taken steps to ensure that any waste and by-products produced as a result of its operations are properly treated and discharged so as to minimise the adverse effects to the environment.

The management will review the Group's environmental practices from time to time and will consider implementing further ecology friendly measures and practices in the operation to enhance environmental protection and sustainability.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, as far as the directors of the Company (the "Directors") are aware, there was no material non-compliance with applicable laws and regulations by the Group that has a significant impact on the Group's business and operations.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Board recognises that our employees are valuable assets contributing to the Group's future success. The Group provides competitive remuneration package to attract, motivate and retain our employees. The Board also regularly reviews the remuneration package of our employees and makes necessary adjustments to conform to the prevailing market practices.

The Board also treasures that maintaining good relationship with our customers and suppliers is vital to achieve the Group's long-term goals.

During the year, there was no significant dispute between the Group companies and our business partners.

IMPORTANT EVENT THAT HAVE OCCURRED SINCE THE FINANCIAL YEAR END

There was no important event that has occurred since the financial year end and up to the date of this report.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and results by business segments for the year ended 31 December 2019 is set out in note 6B to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2019 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 71 to 167.

The Directors resolved not to recommend a final dividend for the year ended 31 December 2019.

RESERVES

Movements in the reserves of the Company during the year are set out in note 44 to the consolidated financial statements.

ANNUAL GENERAL MEETING

An annual general meeting will be held on Tuesday, 30 June 2020 (the "2020 AGM"). Details of the 2020 AGM, notice of 2020 AGM and proxy form are set out in the circular of the Company dated 15 May 2020 which will be despatched to shareholders of the Company (the "Shareholders") together with the 2019 annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2019 are set out in note 27 to the consolidated financial statements.

BANK BORROWINGS

Details of bank borrowings of the Group as at 31 December 2019 are set out in note 31 to the consolidated financial statements.

DIRECTORS

The Directors during the year and as at the date of this report were as follows:

Executive Directors

Mr. CHU Chih-Yaung (*Chairman and Chief Executive Officer*)

Mr. CHEN Min-Ho

Mr. WEN Chi-Tang

Mr. CHIU Rung-Hsien

Independent Non-Executive Directors

Mr. KOO Fook Sun, Louis

Mr. YU Yu-Tang

Mr. KAO Wen-Cheng (appointed on 10 January 2020)

Mr. CHIANG Chun-Te (resigned on 10 January 2020)

Pursuant to article 87 of the articles of association of the Company (the "Articles"), Messrs. Chu Chih-Yaung and Chen Min-Ho, Directors who have been longest in office since their last re-election, will retire by rotation and will offer themselves for re-election at the 2020 AGM.

Pursuant to the Article 86(3) of the Articles, Mr. Kao Wen-Cheng, who was appointed as a new Director on 10 January 2020, will retire at the 2020 AGM and, being eligible, offer himself for re-election.

INDEPENDENCE CONFIRMATION

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). The Company considers all independent non-executive Directors to be independent.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share option scheme of the Company adopted on 2 June 2016, at no time during the year were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or Chief Executive of the Company or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or were the Company, its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights or benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement dated 11 January 2018 with the Company for a term of three years commencing from 11 January 2018 and will continue thereafter until terminated by not less than three months' notice in writing served by either party to the other or in accordance with the provisions set out in the respective service agreement. Each of the executive Directors may receive a discretionary bonus, the amount of which will be determined by reference to the comments of the remuneration committee of the Company.

A service agreement has been entered into between each of the independent non-executive Directors and the Company for a fixed term of 2 years commencing from 10 January 2020, and may be terminated by not less than three months' notice in writing served by either party to the other.

None of the Directors who are proposed for re-election at the forthcoming 2020 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Reference is made to the relevant disclosures on pages 94 to 106 and details on the deed of non-competition on page 105 of the prospectus of the Company dated 30 December 2005. As at 31 December 2019, none of the Directors and their respective associates (as defined in the Listing Rules) had any interest in a business, which competes or may compete with the business of the Group in the PRC, Hong Kong and Macau.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 2 June 2016, i.e. the date on which the Scheme was adopted by resolution of the Shareholders at general meeting (the "Adoption Date"). The purpose of the Scheme is to motivate eligible persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationship with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executive (as defined below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. Eligible persons of the Scheme include the Company's executive directors, managers, or other employees holding executive, managerial, supervisory or similar positions in any member of the Group ("Executives"), directors or proposed directors (including independent non-executive directors) of any member of the Group, consultant of any member of the Group, dependent of any of the foregoing persons, and such other persons as the Board may approve from time to time having contributed to the Company or the Group.

The principal terms of the Scheme are summarised as follows:

- (a) The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme(s) of the Company must not in aggregate exceed 10% of the number of the Company's shares in issue as at the Adoption Date (which were 403,200,000 shares) unless shareholders' approval has been obtained, and which must not exceed 30% of the total number of the Company's shares in issue from time to time (or such other percentage as may be allowed under the Listing Rules).

As at the date of this report, as no option had been granted under the Scheme, the Company had the capacity to grant options to subscribe for a maximum of 40,320,000 shares in aggregate, which represents the total unutilised mandate limit under the Scheme and represents 10% of the issued shares of the Company as at the Adoption Date and approximately 10% of the issued shares of the Company as at the date of this report.

- (b) The maximum number of shares of the Company issued and to be issued upon exercise of the options granted to each eligible person under the Scheme or any other share option schemes adopted by the Company (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the total number of issued shares of the Company.
- (c) The subscription price in respect of each share of the Company issued pursuant to the exercise of options granted under the Scheme shall be determined by the Board and notified to an eligible person at the time of the grant of the options and shall be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of the Board approving the grant of option, which must be a business day ("Date of Grant"); (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the Company's share on the Date of Grant.
- (d) The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than ten years from the relevant Date of Grant. The Board may also provide restrictions on the exercise of an option during the period an option may be exercised.

- (e) The Scheme does not require a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised.
- (f) Upon acceptance of an option, the grantee shall pay HK\$1 to the Company as consideration for the grant within 28 days from the Date of Grant.
- (g) The Scheme shall be valid and effective for a period of ten years from the date of fulfilment of the conditions precedent for the Scheme, i.e. 2 June 2016.

No option has been granted since the adoption of the Scheme.

DIRECTORS' INTEREST IN SHARES

As at 31 December 2019, the interests or short positions of the Directors or chief executive in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), are set out below:

1(a). Long positions in shares, underlying shares and debentures of the Company

Name of director	Nature of interest	Number and class of securities	Approximate percentage of shareholding
Mr. Chu Chih-Yaung	Corporate interest	20,000,000 shares	4.96%

Note: These 20,000,000 shares were beneficially owned by Sunward Gold Global Investments Limited, a company in which Mr. Chu Chih-Yaung has an interest of approximately 72.22%.

Report of the Directors

1(b). Aggregate long position in the shares, underlying shares and debentures of associated corporations of the Company

Name of Director	Name of associated corporations	Nature of interest	Number and class of securities	Approximate percentage of shareholdings
Mr. Chu Chih-Yaung	Fair Friend Enterprise Company Limited ("Taiwan FF")	Beneficial owner	15,527,255 ordinary shares	15.16%
	Taiwan FF	Spouse interest (Note 1)	2,540,969 ordinary shares	2.48%
	Fair Fine (Hangzhou) Industrial Co., Ltd. (Note 2)	Beneficial owner	750 ordinary shares	0.03%

Notes:

- Ms. Wang Tz-Ti (formerly known as Wang Jin-Zu) ("Ms. Wang"), the spouse of Mr. Chu Chih-Yaung, held 2.48% of the issued share capital of Taiwan FF. Mr. Chu Chih-Yaung was deemed to be interested in all the shares held by Ms. Wang in Taiwan FF under the SFO.
- Fair Fine (Hangzhou) Industrial Co., Ltd. is a non-wholly-owned subsidiary of Taiwan FF and is therefore an associated corporation of the Company for the purpose of the SFO.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executive of the Company had any interest in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2019, none of the Directors or chief executive of the Company had any short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, the interests or short positions of every person, other than Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are set out below:

Aggregate long position in the shares and underlying shares of the Company

Name of shareholder	Nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Good Friend (H.K.) Corporation Limited ("Hong Kong GF")	Beneficial owner	232,000,000 shares (Note)	57.56%
Taiwan FF	Interest of controlled corporation	232,208,000 shares (Note)	57.61%

Note: Hong Kong GF is owned as to approximately 99.99% by Taiwan FF. Accordingly, Taiwan FF was deemed to be interested in 232,000,000 shares of the Company held by Hong Kong GF under the SFO.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules for securities transaction by the Directors. Upon enquiry by the Company, all Directors have confirmed that, for the year ended 31 December 2019, they have complied with the required standards set out in the Model Code regarding securities transactions by the Directors.

EMOLUMENT POLICY

The Company established a remuneration committee for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company had adopted a share option scheme as incentive to Directors and eligible employees, details of the Scheme are set out in the section headed "Share Option Scheme" above.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the top five highest paid individuals of the Group are set out in note 9 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details on related party transactions for the year are set out in note 40 to the consolidated financial statements. Details of any related party transactions which also constitute connected transactions or continuing connected transactions not fully exempted under Rule 14A.73 of the Listing Rules are disclosed below. The Group has complied with the requirements in accordance with Chapter 14A of the Listing Rules in respect of such transactions.

Non-exempt connected transaction

As disclosed in the announcement of the Company dated 6 June 2019, the Company had on 3 June 2019 entered into, inter alia, the guarantee (the "Guarantee") with Siemens Aktiengesellschaft ("Siemens"), to guarantee Siemens of up to EUR2 million on any outstanding payment obligations of FFG Werke GmbH ("FFG Werke") and its subsidiaries under their procurement contracts with Siemens for the period from 3 June 2019 to 31 December 2021 (unless terminated earlier by Siemens).

As Taiwan FF is the holding company of Hong Kong GF, the controlling shareholder of the Company, Taiwan FF is therefore an associate of Hong Kong GF and a connected person of the Company under the Listing Rules. As the Company and Taiwan FF indirectly hold approximately 39% and 10% shareholding in FFG Werke respectively, FFG Werke constitutes a commonly held entity under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Guarantee for FFG Werke is more than 0.1% but less than 5%, the Guarantee for FFG Werke constitutes a connected transaction of the Company and accordingly is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Non-exempt continuing connected transactions

As disclosed in the announcement of the Company dated 26 May 2017 and the circular of the Company dated 27 June 2017, the Company had on 26 May 2017 entered into: (a) a components agreement (the "CKD Components Agreement") with Taiwan FF, pursuant to which the Group (and/or its permitted designates) (the "GF Parties") will supply CKD components to Taiwan FF and its subsidiaries (and/or its permitted designates) (the "FF Parties") and the FF Parties will supply CKD components to the GF Parties for a term of three years from 13 July 2017; and (b) a machine tools agreement (the "CNC Machine Tools Agreement") with Taiwan FF, pursuant to which the GF Parties can purchase from the FF Parties the designated CNC machine tools and have the right to sell designated CNC machine tools in the PRC, Hong Kong and Macau Special Administrative Region (the "Sales Region") on an exclusive basis, and the FF Parties will authorize the GF Parties to sell designated CNC machine tools in the Sales Region on an exclusive basis for a period of three years from 13 July 2017.

As Taiwan FF is the holding company of Hong Kong GF, the controlling shareholder of the Company, Taiwan FF is therefore an associate of Hong Kong GE and a connected person of the Company under the Listing Rules. The transactions under the CKD Machine Tools Agreement and the CNC Machine Tools Agreement respectively constituted continuing connected transactions of the Company, and are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The resolutions approving the CKD Components Agreement and the CNC Machine Tools Agreement, the transactions contemplated thereunder and the annual caps thereof were duly passed by the independent Shareholders at the extraordinary general meeting held on 13 July 2017. The annual caps for the supply of CKD components to FF Parties by the GF Parties and the purchase of CKD components from the FF Parties by the GF Parties for the period from 1 January 2019 to 31 December 2019 under the CKD Components Agreement were RMB3.85 million and RMB114.03 million respectively and the actual supply amount and purchase amount of the period were RMBnil and RMB38.61 million respectively. The annual cap for the purchase of CNC machine tools from the FF Parties by the GF Parties for the period from 1 January 2019 to 31 December 2019 under the CNC Machine Tools Agreement was RMB809.09 million and the actual purchase amount of the period was RMB5.78 million.

The independent non-executive Directors have reviewed the CKD Components Agreement and the CNC Machine Tools Agreement and the transactions thereunder conducted during the year and confirmed that they have been entered into, in all material respects:–

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) in accordance with the respective terms of the CKD Components Agreement and the CNC Machine Tools Agreement and on terms that were fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company has issued a report of its factual findings to the Board confirming the matters as required in accordance with Rule 14A.56 of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company purchased a total of 126,000 shares of the Company on the Stock Exchange at an aggregate consideration of approximately HK\$113,038.00 and all the 126,000 repurchased shares were cancelled on delivery of the share certificates. The repurchase was effected by the Board for the enhancement of shareholders' value. Details of the repurchases are as follows:

Month	Total number of shares	Highest price paid per share HK\$	Lowest price paid per share HK\$	Approximate aggregate consideration HK\$
July 2019	126,000	0.91	0.88	113,038.00

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year under review.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers accounted for approximately 13.65% of the Group's total turnover for the year and the largest customer accounted for approximately 7.22% of the Group's total turnover. The five largest suppliers accounted for approximately 28.25% of the Group's total purchases for the year and the largest supplier accounted for approximately 15.28% of the Group's total purchases.

None of the Directors or their associates has interests in any of the aforesaid customers and suppliers.

Save that Hong Kong GF was among the aforesaid five largest suppliers of the Group, to the knowledge of the Directors, none of the shareholders owning more than 5% of the Company's shares had any interest in the aforesaid customers and suppliers of the Group during the year.

SUFFICIENCY OF PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report.

PERMITTED INDEMNITY

The Articles provides that every Director shall be indemnified out of the funds of the Company against all liabilities incurred by him in relation to the Company in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted. In addition, liability insurance for Directors and senior management of the Company is maintained by the Company with appropriate coverage for certain legal actions against the Directors and senior management.

EQUITY-LINKED AGREEMENTS

Saved for the Scheme as disclosed in the section headed "Share Option Scheme" above, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as those set out in note 40 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company, its parent company, its subsidiaries or fellow subsidiaries were a party and in which Director or his connected entities had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the Corporate Governance Code. The duties of the Audit Committee includes review and supervise the financial reporting process and risk management and internal control systems of the Group. The Audit Committee currently comprises three independent non-executive Directors, Mr. Koo Fook Sun, Louis (as Chairman), Mr. Chiang Chun-Te* and Mr. Yu Yu-Tang. The Audit Committee has reviewed with the management the consolidated financial statements of the Group for the year ended 31 December 2019.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 26 to 40.

FIVE-YEAR FINANCIAL SUMMARY

A summary of results and of the assets and liabilities of the Group for the last five financial years is set out on page 168.

AUDITOR

RSM Hong Kong ("RSM") was appointed as auditor of the Company by the Board with effect from 25 October 2019 to fill the casual vacancy arising from the resignation of Deloitte Touche Tohmatsu on 24 October 2019 and to hold office until the conclusion of the forthcoming 2020 AGM. A resolution will be proposed at the forthcoming 2020 AGM to re-appoint RSM as auditor of the Company.

Save for the above, there were no other changes of auditor of the Company in the past three years.

The consolidated financial statements for the year ended 31 December 2019 have been audited by RSM.

On behalf of the Board

Good Friend International Holdings Inc.

CHU Chih-Yaung

Chairman

Hong Kong, 31 March 2020

* Mr. Chiang Chun-Te resigned as an independent non-executive Director on 10 January 2020 and Mr. Kao Wen-Cheng was appointed as an independent non-executive Director on 10 January 2020.

Corporate Governance Report

The Company is committed to maintaining good corporate governance standard through a solid and efficient framework to promote the integrity, transparency and quality of disclosure in order to enhance shareholders' value.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted its corporate governance practices which are reproduced from the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") and has reviewed and updated regularly to follow the latest practices in corporate governance. During the year under review, the Company has complied with the code provisions set out in the CG Code except for the following deviation.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board of directors of the Company (the "Board") should attend the annual general meeting. Mr. Chu Chih-Yaung, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 5 June 2019 due to his business trip and Mr. Chiu Rung-Hsien, the executive director of the Company (the "Director"), took the chair of the annual general meeting pursuant to the articles of association of the Company ("Articles").

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Chen Hsiang-Jung, the then Chief Executive Officer and executive Director of the Company was pass away on 8 November 2018. Mr. Chu Chih-Yaung, the Chairman of the Board, was appointed as Chief Executive Officer on 7 December 2018. Although these two roles are performed by the same individual since 7 December 2018, certain responsibilities have been shared with other executive Directors to balance the power and authority. In addition, all major decisions have been made in consultation with members of the Board as well as senior management. The Board has three independent non-executive Directors who offer different independent perspectives. Therefore, the Board is of the view that there is adequate balance of power and safeguards in place. The Board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by the Directors. Upon enquiry by the Company, all Directors have confirmed that, for the year ended 31 December 2019, they have complied with the required standards set out in the Model Code regarding securities transactions by the Directors.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's budget, significant policies and transactions, financial results, businesses, strategic decisions and performance. The management was delegated the authority and responsibility by the Board for the day-to-day management of the Group. In addition, the Board has also delegated various responsibilities to the various board committees referred to below. Further details of these committees are set out in this report.

The Board currently comprises seven Directors with four executive Directors and three independent non-executive Directors:

Executive Directors

Mr. CHU Chih-Yaung (*Chairman and Chief Executive Officer*)

Mr. CHEN Min-Ho

Mr. WEN Chi-Tang

Mr. CHIU Rung-Hsien

Independent Non-Executive Directors

Mr. KOO Fook Sun, Louis

Mr. YU Yu-Tang

Mr. KAO Wen-Cheng (appointed on 10 January 2020)

Mr. CHIANG Chun-Te (resigned on 10 January 2020)

Such balanced board composition is formed to ensure a strong independent objectivity exists across the Board and has adhered to the recommended practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors. The biographical information of the Directors is set out on pages 12 to 13 under the section headed "Biographical Details of Directors and Senior Management".

Directors have given sufficient time and attention to the Group's affairs. The Directors have disclosed to the Company annually the number and the nature of offices held in public companies or organizations and other significant commitments. The Board believes that the balance between executive Directors and independent non-executive Directors is reasonable and adequate to provide sufficient balances that protect the interests of the shareholders of the Company (the "Shareholders") and the Group.

Chairman and Chief Executive Officer

The Chairman of the Board, is in-charge of the leadership of the Board and strategies planning of the Group. The Chief Executive Officer of the Company is responsible for the day-to-day management of the Group's business.

Mr. CHEN Hsiang-Jung, the then Chief Executive Officer and executive Director, was pass away on 8 November 2018.

Mr. CHU Chih-Yaung, the Chairman of the Board, was appointed as Chief Executive Officer on 7 December 2018.

The positions and roles of Chairman of the Board and Chief Executive Officer of the Company have been held and performed by same individual since 7 December 2018.

Independent non-executive Directors

The three Directors serving the non-executive role are all independent and are appointed as the independent non-executive Directors.

The three independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of accounting and finance. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Amongst them, Mr. Koo Fook Sun, Louis has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2) of the Listing Rules. Each independent non-executive Director has provided an annual confirmation of his independence to the Company, and the Company considers each of them to be independent under Rule 3.13 of the Listing Rules.

The three independent non-executive Directors are appointed for a specific term of two years and are subject to retirement by rotation, at least once every three years, in accordance with the Articles.

Role of the Board

The Board decides on corporate strategies, approves overall business plans and evaluates the Group's financial performance and management. Specific tasks that the Board delegates to the Group's management include implementation of strategies approved by Board, monitoring of operating budgets, implementation of internal controls procedures, and ensuring of compliance with relevant statutory requirements and other rules, laws and regulations.

Corporate Governance Functions

The Board is also responsible for performing the corporate governance duties as set out below:–

1. develop and review the Company's policies and practices on corporate governance and make recommendations;
2. review and monitor the training and continuous professional development of Directors and senior management;
3. review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
5. review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report under the Appendix 14 to the Listing Rules.

The Board had performed the above duties during the year.

Directors' training

Based on the training records provided to the Company by the Directors and the Company's record, the Directors participated in the following training during 2019:

Directors	Type of trainings
Executive Directors	
CHU Chih-Yaung	A, B
CHEN Min-Ho	A, B
WEN Chi-Tang	A, B
CHIU Rung-Hsien	A, B
Independent Non-Executive Directors	
KOO Fook Sun, Louis	A, B
YU Yu-Tang	A, B
CHIANG Chun-Te (resigned on 10 January 2020)	A, B

A: attending seminars and/or conferences and/or forums

B: reading information, newspapers, journals and materials relating to responsibilities of directors, economy, financial, investments and business of the Company

Frequency of Board Meetings and Attendance

Board meetings are held at least four times a year and the Board meets as and when required. During the year ended 31 December 2019, the Board convened a total of four regular meetings and the attendances of the Directors at these Board meetings are as follows:

Directors	Number of attendance
Mr. CHU Chih-Yaung	4/4
Mr. CHEN Min-Ho	2/4
Mr. WEN Chi-Tang	2/4
Mr. CHIU Rung-Hsien	4/4
Mr. KOO Fook Sun, Louis	4/4
Mr. YU Yu-Tang	4/4
Mr. CHIANG Chun-Te (resigned on 10 January 2020)	2/4

The Directors received formal notices, agenda and meeting's papers in advance of each Board meeting.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

Appropriate insurance cover has been arranged in respect of relevant actions against its Directors.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. KOO Fook Sun, Louis (as chairman), Mr. YU Yu-Tang and Mr. Kao Wen-Cheng*.

The role of the Audit Committee is to monitor the establishment and maintenance of an adequate of an adequate internal control and risk management systems and compliance with such system.

The chief responsibilities of the Audit Committee include making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the interim and annual reports and accounts of the Group; and supervising the financial reporting process and effectiveness of the risk management and internal control systems of the Group. The Audit Committee had during the year performed such functions and reviewed the unaudited financial statements of the Company for the six months ended 30 June 2019. The audited financial statements of the Company for the year ended 31 December 2019 has also been reviewed by the Audit Committee.

The forthcoming annual general meeting of the Company will be held on Tuesday, 30 June 2020 (the "2020 AGM"). With the recommendation of the Audit Committee, RSM Hong Kong, Certified Public Accountants (who had been appointed by the Board as the auditor of the Group on 25 October 2019 to fill the casual vacancy arising from the resignation of Deloitte Touche Tohmatsu) has been proposed for re-appointment as auditor of the Company at the forthcoming 2020 AGM.

Frequency of Meetings and Attendance

During the year 2019, the Audit Committee met three times, during which the management of the Company and the external auditor were also in attendance, if appropriate. Details of the attendance by members of the Audit Committee of such meetings are as follows:

Name of members	Number of attendance
Mr. KOO Fook Sun, Louis	3/3
Mr. YU Yu-Tang	3/3
Mr. CHIANG Chun-Te (resigned on 10 January 2020)	1/3

* was appointed on 10 January 2020

NOMINATION OF DIRECTORS

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the mechanics industry and/or other professional area.

The Company established a nomination committee (the "Nomination Committee"), with written terms of reference in compliance with the CG Code and consists of three independent non-executive Directors, namely Mr. KOO Fook Sun, Louis (as chairman), Mr. YU Yu-Tang and Mr. Kao Wen-Cheng*.

The functions of the Nomination Committee are reviewing and supervising the structure, size and composition of the Board, identifying qualified individuals to become members of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors.

During the year, the Nomination Committee had convened a meeting to review and consider the background of Mr. Kao Wen-Cheng and recommended to the Board for consideration of the appointment of Mr. Kao Wen-Cheng as an independent non-executive Director to fill the vacancy following the resignation of Mr. Chiang Chun-Te as an independent non-executive Director on 10 January 2020. The Nomination Committee also considered the current Board size and diversity as adequate for the Company's present operations. In addition, the Committee has reviewed and satisfied with the independence of all independent non-executive Directors.

In accordance with the Articles, at least one-third of the Directors will retire from office at the forthcoming annual general meeting. Pursuant to article 87 of the articles of association of the Company (the "Articles"), Messrs. Chu Chih-Yaung and Chen Min-Ho, Directors who have been longest in office since their last re-election, will retire by rotation and will offer themselves for re-election at the 2020 AGM.

Pursuant to the article 86(3) of the Articles, Mr. Kao Wen-Cheng, who was appointed as a new Director on 10 January 2020, will retire at the 2020 AGM and, being eligible, offer himself for re-election.

Frequency of Meetings and Attendance

The Nomination Committee has convened one meeting during the year ended 31 December 2019 and details of the attendance of its meeting are as follows:

Name of members	Number of attendance
Mr. KOO Fook Sun, Louis	1/1
Mr. YU Yu-Tang	1/1
Mr. CHIANG Chun-Te (resigned on 10 January 2020)	0/1

* was appointed on 10 January 2020

Board Diversity Policy

The Company has formulated and adopted the board diversity policy in August 2013 aiming at setting out the approach on diversity of the Board.

The Board recognizes the importance of having a diverse Board in enhancing the board effectiveness and corporate governance. A diverse Board will include and make good use of differences in the skills, industry knowledge and experience, education, background and other qualities of Directors and does not discriminate on the ground of race, age, gender or religious belief. These differences will be taken into account in determining the optimum composition of the Board and when possible should be balanced appropriately.

The Nomination Committee of the Company has responsibility for identifying and nominating for approval by the Board, candidates for appointment to the Board. It takes responsibility in assessing the appropriate mix of experience, expertise, skills and diversity required on the Board and assessing the extent to which the required skills are represented on the Board and overseeing the Board succession. It is also responsible for reviewing and reporting to the Board in relation to Board diversity.

Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates to join the Board will be, in part, dependent on the pool of candidates with the necessary knowledge, experience, skills, educational background and other qualities. The final decision will be based on merit and contribution that the chosen candidate will bring to the Board.

At present, the Nomination Committee has not set any measurable objectives to implement the board diversity policy. However, it will consider and review the board diversity policy and setting of any measurable objectives from time to time.

Nomination Policy

A Nomination Policy which sets out the criteria and procedures when identifying suitably qualified candidates to be appointed and re-elected as Directors, was adopted by the Board during the year.

The Nomination Committee will consider the following factors in assessing the proposed candidates:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Willingness to devote adequate time to discharge duties as a member of the Board;
- Board Diversity Policy and any measurable objectives adopted for achieving diversity on the Board;
- Requirements for independent directors;
- Such other perspectives appropriate to the Company's business or as suggested by the Board.

Besides, the following procedures for nomination should be adopted:

1. The Nomination Committee reviews the structure, size and composition (including the skills, knowledge and experience) of the Board periodically and make recommendation on any proposed changes to the Board to complement the Company's corporate strategy;
2. When it is necessary to fill a causal vacancy or appoint an additional director, the Nomination Committee identifies or selects candidates as recommended to the Committee, with or without assistance from external agencies or the Company, pursuant to the criteria above;
3. If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);
4. The Nomination Committee makes recommendation to the Board including the terms and conditions of the appointment;
5. The Board deliberates and decides on the appointment based upon the recommendation of the Nomination Committee.

Dividend Policy

Under the Companies Law of Cayman Islands and the Articles, dividends may be paid out of the profits of the Company, or subject to solvency of the Company, out of sums standing to the credit of the share premium account of the Company. However, no dividend shall exceed the amount recommended by Directors.

Declaration and recommendation of payment of dividends of the Company is subject to the approval of the Directors, depending on results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the Directors may consider relevant from time to time. Any future declaration, recommendation and payment of dividends of the Company may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of the Directors. The Company does not have any predetermined dividend payout ratio.

REMUNERATION OF DIRECTORS

The Company established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with the CG Code and consists of three independent non-executive Directors, namely Mr. KOO Fook Sun, Louis (as chairman), Mr. YU Yu-Tang and Mr. KAO Wen-Cheng*.

The functions of the Remuneration Committee are establishing and reviewing the policy and structure of the remuneration for the Directors and senior management.

Frequency of Meetings and Attendance

The Remuneration Committee has convened one meeting during the year ended 31 December 2019 to review the existing remuneration packages of each of the Directors and senior management of the Company and details of the attendance of its meeting are as follows:

Name of members	Number of attendance
Mr. KOO Fook Sun, Louis	1/1
Mr. YU Yu-Tang	1/1
Mr. CHIANG Chun-Te (resigned on 10 January 2020)	0/1

Emolument policy

The emolument policy of the employees of the Group is determined on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. Each of the executive Directors is entitled to the respective basic salary which is reviewed annually. Details of the Directors' remuneration are set out in note 9 to the consolidated financial statements.

The Company had adopted a share option scheme on 2 June 2016 which was effective for a period of 10 years until 1 June 2026. The purpose of the share option scheme was to enable the Board, at its discretion, to grant options to selected eligible participants to motivate them and to optimize their future contributions for the benefit of the Group. Details of the share option scheme are set out in the section headed "Share Option Scheme" of the "Report of the Directors".

* was appointed on 10 January 2020

Remuneration of Senior Management

The remuneration of the members of the senior management by band for the year ended 31 December 2019 is set out below:

Remuneration bands (HK\$)	Number of persons
Less than \$1,000,000	3
\$1,000,001 to \$1,500,000	1

Further particulars regarding Director's remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 9(a) and 9(b) to the consolidated financial statements, respectively.

COMPANY SECRETARY

The Company has engaged and appointed Mr. Lo Tai On, a representative from an external secretarial services provider, as the company secretary of the Company. The primary contact person with the company secretary of the Company is Mr. Esmond Yip, the Financial Controller of the Company. Mr. Lo has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

During the year under review, there was no change in the Company's constitutional documents.

AUDITOR'S REMUNERATION

For the year under review, the remuneration paid/payable to the Company's existing auditor, RSM Hong Kong, is set out below:

Services rendered to the Group	Fee paid/payable HK\$'000
Audit services	1,500
Non-audit services	120

For the year under review, the remuneration paid/payable to the Company's previous auditor, Deloitte Touche Tohmatsu, Hong Kong, is set out below:

Services rendered to the Group	Fee paid/payable HK\$'000
Audit services	0
Non-audit services	400

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has acknowledged its responsibility for the risk management and internal control systems of the Group, and has established and continuously supervised and reviewed the effectiveness of the systems operation as required in the Principle C.2 of the CG Code with the purpose of managing the risk of failure to achieve the business objective, enhancing the effective and efficient operation, reasonably guaranteeing the reliability of financial reporting as well as in compliance with applicable laws and regulations, and safeguarding the assets of the Group. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Characteristics of Risk Management and Internal Control Organization Systems

The Company has established and improved the risk management and internal control organization systems comprising the Audit Committee of the Board, senior management and all the departments of the Company as required in the Principle C.2.2 of the CG Code in a bid to guarantee that the Company has sufficient resources, employee qualification, experience, training courses and relevant budgets in terms of the risk management and internal control. All the departments of the Company are the first defending line of the risk management and internal control, the senior management is the second, and the Audit Committee of the Board is the third. The Audit Committee and the Board are the top decision-making organs of the risk management and internal control systems of the Company.

Internal Audit Function

In light of the size, nature and complexity of the Company business, it was decided that the Audit Committee would be directly responsible for the establishment and improvement of internal control of the Company and for reviewing its effectiveness. Every year the Company hires a third-party organization to confirm testing scope based on the annual risk evaluation result and carry out the internal control review according to the practical condition of the Company.

Conducting Risk Management and Internal Control

The Company reviews the effectiveness of the risk management and internal control systems and evaluates all the significant monitoring aspects including the financial monitoring, operation monitoring and compliance monitoring on a yearly basis according to five internal control factors, namely, internal environment, risk evaluation, control activities, information & communication, and internal supervision.

Centring on the overall operation objective, the Company gradually established the risk management system through implementing the basic risk management process in each phase of its management and in the course of its operations, which comprehensively identified and dealt with possible risks at the Company level in operations, forming the unique risk pool and risk framework with sound systems of the Company, providing the basis for the risk management and internal control.

The senior management of the Company organized all the risk responsible departments to conduct comprehensive and in-depth analysis on the risk identification results from the aspect of the possibility of risk occurrence and the extent of its impact, selected major risks exposed to the Company, made specific and in-depth responses to major risks and formulated major risk response plans. The major risk response plans shall be implemented upon the review of the senior management, the deliberation of the Audit Committee, and the approval of the Board.

Formation of Long-Term Mechanism of Risk Management and Internal Control

The Company carried out the basic risk response measures of internal control through specific business process on the basis of fully identifying and evaluating risks, established the management procedures and internal control measures for significant processes of the preparation and disclosure of financial reports, and finally confirmed the long-term mechanism of risk management with the Risk Management System (《風險管理制度》). The management procedures of relevant processes, the internal control measures and the Risk Management System have been implemented upon the approval and signature by the senior management.

The Risk Management System specifies the overall objective, basic principles, assignment of responsibilities, reporting channels, methodology, main job contents and daily work of the risk management. It is stipulated in the System that the senior management shall conduct the risk management annually, continuously monitor the major risks and risk changes in the operation and management of each risk responsible department, formulate the Risk List and Risk Management Framework (《風險清單及風險管理框架》), which shall be submitted to the senior management and the Audit Committee, and report the risk management framework and organization system construction of each risk responsible department, risk pre-warning mechanism, the identification, evaluation methods and results of the risk information during the current year, and the resources and matters to be co-ordinately solved.

It is also provided in the System that the senior management shall supervise and assess whether each department can conduct the risk management according to relevant regulations and their work efficiency on a regular or irregular basis (at least once a year), prepare the Risk Summary and Evaluation Report (《風險彙總評估報告》), and put forward improvement suggestions for the effectiveness of the risk management. Relevant departments shall formulate specific rectification proposals according to the improvement suggestions, appoint a specific person for the implementation of each task, and stipulate on the expected date of completion of rectification. The senior management shall continuously monitor the progress of rectification. The Risk Summary and Evaluation Report shall be directly submitted to the senior management and the Audit Committee of the Board.

The results of risk management and internal control indicated that there weren't any material faults or weak points in the major risk monitoring. The management processes of the Company, such as financial reports and information disclosures, strictly complied with the provisions of the Listing Rules, and the risk management and internal control were effective according to the evaluation of the Board.

During the year, the Board also renewed and ensured the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Board has established the Inside Information Policy for the handling and dissemination of inside information. The Inside Information Policy stipulated the obligations of the Group, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemptions and waiver to the disclosure of inside information, external communication guidelines and compliance and reporting procedures. Management of the Company must take all reasonable measures from time to time to ensure that proper safeguards are in place to prevent a breach of a disclosure requirement in relation to the Company. They must promptly bring any possible leakage or divulgence of inside information to the attention of the Financial Controller who will notify the Board as soon as reasonably practicable accordingly for taking the appropriate prompt action. In the event that there is evidence of any material violation of the Inside Information Policy, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding the likelihood of its recurrence.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's accounts for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2019, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATION

The Board recognises the importance of good communication with the Shareholders. Information in relation to the Group is disseminated to the Shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars of the Company.

The general meetings of the Company are valuable forum for the Board to communicate directly with the Shareholders. The Shareholders are encouraged to attend the general meetings of the Company.

An annual general meeting of the Company was held on 5 June 2019 (the "2019 AGM"). A notice convening the 2019 AGM contained in the circular dated 29 April 2019 was dispatched to the Shareholders together with the 2018 Annual Report. The chairman of the Board was unable to attend the 2019 AGM due to his business trip. Mr. Chiu Rung-Hsien, the Executive Director, attended and chaired the 2019 AGM. Other directors were unable to attend the 2019 AGM due to their other business commitment.

The Chairman of the 2019 AGM explained detailed procedures for conduction a poll. All the resolutions proposed at the 2019 AGM were passed separately by the Shareholders by way of poll. The results of the poll were published on the websites of Hong Kong Exchanges and Clearing Limited ("HKEX") and the Company after the meetings.

A notice convening 2020 AGM will be published on the websites of HKEX and the Company and dispatched together with the 2019 Annual Report to the Shareholders as soon as practicable in accordance with the Articles and the CG Code.

The Company is committed to enhancing communications and relationships with its investors. Designated senior management maintains an open dialogue with institutional investors and analysts to keep them abreast of the Company's developments.

The Company also maintains a website at www.goodfriend.hk, where updates on the Company's business developments and operations, financial information and news can always be found.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:–

Room 2003, 20/F., Kai Tak Commercial Building,
317-319 Des Voeux Road Central, Hong Kong
Fax: (852) 3586 2620
Email: investor@goodfriend.hk

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year at such place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM"). The procedures are subject to the Articles and applicable legislation and regulations.

Procedures for Shareholders to convene EGM:

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the business to be transacted at the meeting, signed by the requisitionist(s) and deposited at the Company's principal place of business in Hong Kong or the Company's registered office for the attention of the Board or the Secretary of the Company, and may consist of several documents in like form, each signed by the requisitionist(s). The requisition will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the requisition is proper and in order, the Secretary of the Company will ask the Board to consider convening an EGM, on the contrary, if the requisition has been verified as invalid, the requisitionist(s) will be advised of the outcome and accordingly, an EGM will not be convened.

Any meeting convened by the requisitionists should be convened with the same manner as that in which meetings are convened by the Board.

Corporate Governance Report

Procedures for putting forward proposals at general meetings

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written request, duly signed by the shareholder concerned, setting out the proposals at the Company's principal place of business in Hong Kong for the attention of the Board and the Secretary of the Company with sufficient lead time in advance. The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Secretary of the Company will pass the request to the Board. Whether a proposal will be put to a general meeting will be decided by the Board in its discretion.

The procedures for Shareholders to propose a person for election as director is posted on the Company's website at www.goodfriend.hk.

AUDITOR'S STATEMENT

The auditor of the Company acknowledge their responsibilities in the auditor's report on the financial statements of the Group for the year ended 31 December 2019.

Hong Kong, 31 March 2020

Environmental, Social and Governance Report

ABOUT THE REPORT

Good Friend International Holdings Inc. (the “Company” together with its subsidiaries, hereinafter referred to as the “Group”, we or us) hereby presents the annual Environmental, Social and Governance (“ESG”) Report for the financial year ended 31 December 2019 (“FY2019”) in accordance with the ESG Reporting Guide (the “ESG Guide”) as set out in Appendix 27 to the Rules Governing the Listing of Securities (the “Main Board Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company has complied with the “comply or explain” provisions set out in the ESG Guide. The ESG Report should be read in conjunction with the Corporate Governance Report on page 26 of our Annual Report 2019.

The ESG Report focuses on the principal business activities of the Group. After comprehensive consideration of a series of indicators such as sales, business type, profit amount and asset amount, the scope of the ESG Report is consistent with the ESG Report for the previous financial year ended 31 December 2018 (“FY2018”), covering the following entities in the People’s Republic of China (the “PRC”): Hangzhou Good Friend Precision Machinery Precision Co., Ltd., Hangzhou Global Friend Precision Machinery Co., Ltd., Hangzhou Ever Friend Precision Machinery Co., Ltd. and Hangzhou Glory Friend Machinery Technology Co., Ltd. While the ESG Report does not cover all the Group’s operations, the Group aims to improve its internal data collection mechanism and gradually expand the scope of the disclosure.

The ESG Report is prepared and published in both English and Chinese at the Stock Exchange’s website (www.hkexnews.hk) and the Company’s website (<http://www.goodfriend.hk>). In the event of contradiction or inconsistency between the English version and the Chinese version, the English version shall prevail.

The board (the “Board”) of directors (the “Directors”) of the Company is responsible for the ESG strategy and reporting, including the assessment and determination of relevant risks in these aspects, and guarantee of proper ESG risk management and internal monitoring system. We have appointed the business and functional departments to identify the relevant ESG matters and evaluate the significance of these matters to our business and interested parties by reviewing the Company’s operation and conducting internal discussions. The management has confirmed the effectiveness of the ESG risk management and internal monitoring system with the Board.

Environmental, Social and Governance Report

SELECTION OF MAJOR ISSUES

Communication with stakeholders

Judging from the characteristics of the business and operation, we identified major stakeholders such as investors, governments and regulators, employees, non-governmental organisations, customers, suppliers and communities.

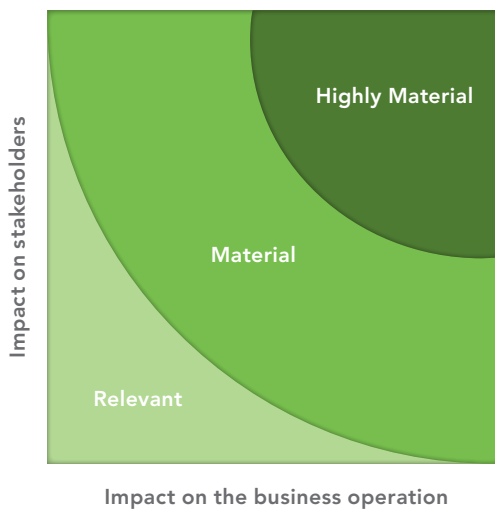
Stakeholders	Expectation & requirement	Communication & response
Investors	<ul style="list-style-type: none"> • Protection of shareholders' rights and interests • Maintenance and appreciation of assets value • Enterprise governance mechanism • Authentic, accurate, prompt and complete disclosure of information 	<ul style="list-style-type: none"> • Shareholders' meeting • Press releases and announcements • Company reports • Information on the company website • Investors' meetings
Governments and regulators	<ul style="list-style-type: none"> • Compliance with laws and regulations • Pay taxes in accordance with law • Protect the environment • Industry development • Give back to the community 	<ul style="list-style-type: none"> • Meeting • Compliance report • Onsite check • Special investigation • Proper submission of documents
Employees	<ul style="list-style-type: none"> • Equal employment • Competitive salary system • Employee training • Career development • Humanity care • Health and safety protection 	<ul style="list-style-type: none"> • Labour contracts • After-work activities • Manager mailbox • Voluntary activities • Daily communication
Non-governmental organisations	<ul style="list-style-type: none"> • Investment for local development • Participate in local community projects • Take on environmental responsibility • Human rights • Fair share of benefits 	<ul style="list-style-type: none"> • Annual ESG report • Direct communication • Production plant visit
Customers	<ul style="list-style-type: none"> • Customer satisfaction management • Customer complaint management • Product responsibility 	<ul style="list-style-type: none"> • Daily communication • Regular interviews and visits • Customer service centre and hotline
Suppliers	<ul style="list-style-type: none"> • Suppliers' code of conduct • Supplier assessment • Supplier cooperation 	<ul style="list-style-type: none"> • High-level meetings • Workshop • Suppliers' summits • Supplier entry and assessment • Fieldwork • Daily communication
Communities	<ul style="list-style-type: none"> • Noise management • Support economic development • Enthusiasm towards public welfare 	<ul style="list-style-type: none"> • Charitable activities • Community services • Environmental protection activities

Environmental, Social and Governance Report

Assessment of Material Issues

After collecting opinions from internal and external stakeholders, the ESG issues were prioritised according to two perspectives, namely their impact on the business operation as well as their impact on the stakeholders' rights and interests, so as to reflect their influence on the environment and society, and better respond to the expectations and demands of the stakeholders. Our material ESG issues have been identified and prioritised as below:

Matrix for material issues



Highly Material

- Employee care
- Remuneration and benefits
- Occupational health and safety
- Product and service quality

Material

- Waste management
- Environmental compliance
- Diversity and equal opportunities
- Anti-discrimination
- Staff development and training
- Prohibition of child and forced labour
- Responsible supply chain management
- Customer health and safety
- Marketing and Labelling
- Customer privacy and corporate information protection
- Intellectual property
- Business ethics
- Socio-economic compliance

Relevant

- Air emission management
- Greenhouse gas emission
- Climate change
- Water efficiency
- Energy efficiency
- Material consumption
- Environmental impact mitigation
- Community investment

MARKET

Without the high standard which we set for ourselves, we cannot become the largest CNC¹ machine tools manufacturer in the PRC. Since the Company was founded, we have adhered to the business philosophy of sincerity and integrity. Therefore, in order to grow better and faster, we not only select our partners strictly and demand for high quality but also do our best to serve our customers with enthusiasm.

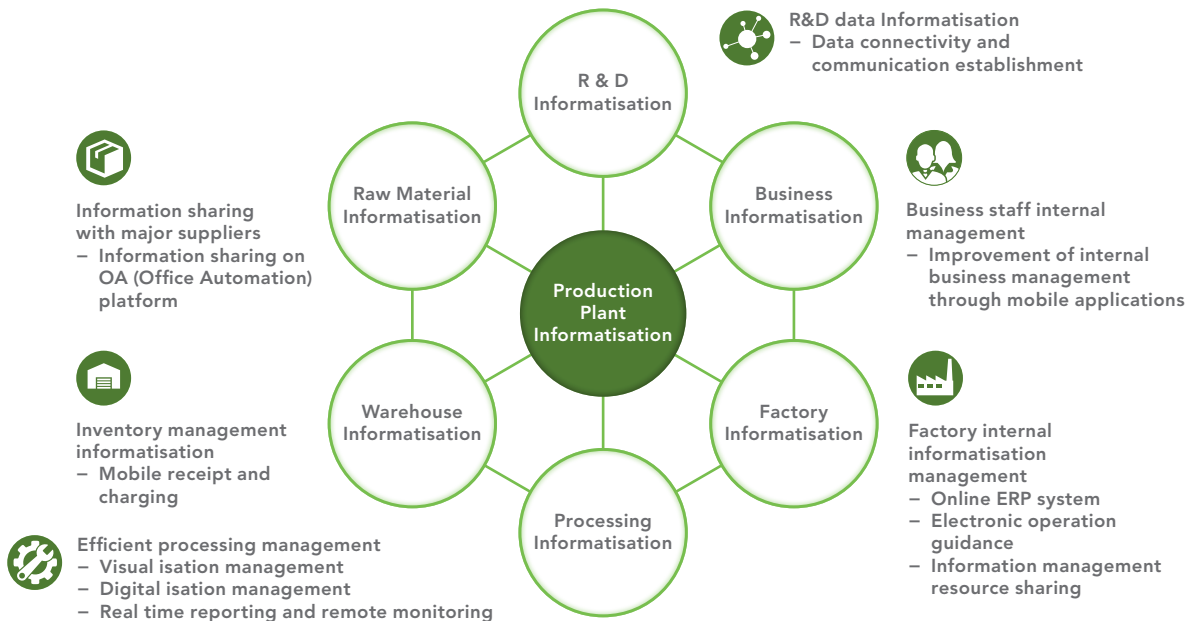
In FY2019, we did not find any products, which were returned to us due to safety or health problems.

Environmental, Social and Governance Report

Quality assurance

The Group is specialised in manufacturing CNC machine tools, car parking garage structure and forklift trucks. We always insist that all products must pass strict quality control system to free our customers from worries. As for product quality, we have obtained the ISO 9001 Quality Management System and implemented a product safety management system covering material supply, production, packaging and delivery. Every year, we conduct self-inspection in the quality management in accordance with the established material supply inspection management, process inspection management, finished product inspection management, and defective product control management procedures, and organise the internal quality review.

Industry 4.0² enables us to obtain precise, traceable and high-quality data for each type of product. In order to improve the quality of products, we are integrating digitalisation, visualisation and information networks into our production plants. We have successfully applied six categories of informatisation to the daily operation of the machine tool division based on customers' demands, covering the whole process of CNC machine tool research and development ("R & D"), design, manufacturing, inspection, delivery and after-sales service, in order to enhance the product quality and to promote the development of CNC machine tools.



¹ It refers to computer numerical control, which is commonly called CNC.

² The term "Industry 4.0", also known as the Fourth Industrial Revolution, was originated and coined by a group of scientists business/industry executives that proposed to the German government on how to develop its high-tech strategy in order to maintain the global manufacturing share and its leading industrial country status.

Environmental, Social and Governance Report

In addition, we also contribute to improving the quality control of the mechanics, manufacturing and machine tools industry. In order to improve the quality and technical requirements of the industry in the PRC, we have been actively participating in the drafting of the *Standard for Mechanical Parking Equipment Design* ("機械式停車設備設計規範"), which has been led by National Technical Committee on Cranes Standardisation SAC/TC227 since FY2018.

Technology is important for quality improvement. We are committed to technological innovation and continuously improve the technical content of our products to enhance the quality of our products. Now we have owned over 30 valid patents, including 15 software copyrights. We also formulate the *Patent Management System* ("專利管理制度") to regulate the patent development and protection processes.

Customer Service

Quality is an essential factor for sustainable development of an enterprise while the customers are the driving force for its development. With a solid and stable customer base, we can actively promote various activities to enable the enterprise to flourish.

We strive to provide high-quality services for customers. In order to timely submit customers' orders and boost customer satisfaction, we implement lean management internally and set up a cross-sectoral subdivision and special investigation team. By summarising and classifying business management data, we easily locate the occurrence points and detection points of problems and promptly solve the problems in the daily operation process. In addition, we regularly conducted satisfaction surveys on product quality and after-sales service. In FY2019, no customer complaints occurred, our average customer satisfaction rate was 97% (FY2018: 98%).

In addition, we set access control on customer files to secure customers' privacy to the best.

Supplier Management

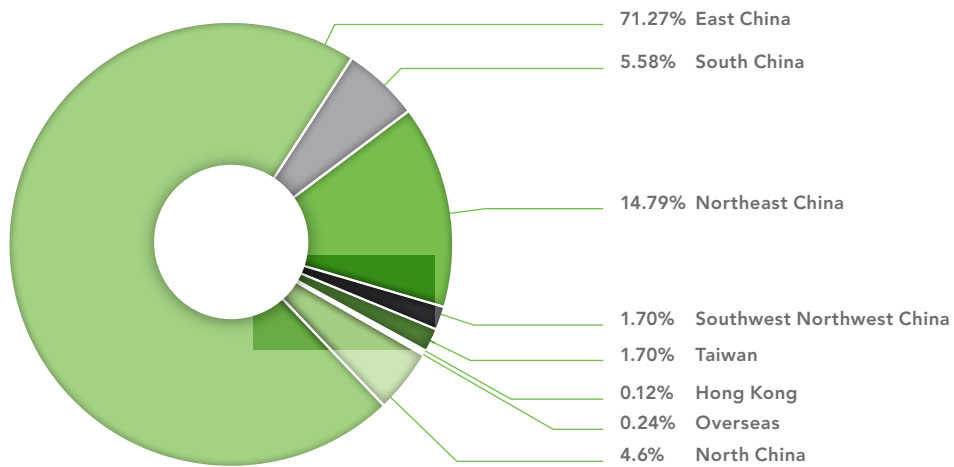
The high-quality environmental-friendly products we provide to customers depends on our excellent supplier management. We impose strict requirements on suppliers. We carry out strict and fair supplier access procedures and evaluation mechanism through formulation of the *Supplier Management Procedures* ("供應商管理程序"), the *Supplier Management Process Flow Chart* ("供應商管理作業流程圖") and *Supplier Monthly Assessment Form* ("供應商月度評核表") and other related policies and procedures. When selecting a new supplier, we will conduct a series of evaluation procedures based on these systems, including the on-site inspection, sampling, quality assurance, etc.

At the same time, we continue enhancing our management on the environmental and social risks of suppliers, requiring suppliers to comply with relevant environmental protection requirements and supervising our suppliers to obtain accreditation under the ISO 14000 Environmental Management System. When evaluating suppliers, we take into consideration their environmental and social impacts and select the suppliers with excellent quality and strong environmental awareness.

Environmental, Social and Governance Report

We give priority to local suppliers in order to promote the local economic development. In FY2019, we cooperated with 824 suppliers³ (FY2018: 769), which are mainly from Jiangsu, Zhejiang and Shanghai. The geographical distribution⁴ is as follows.

FY2019 Suppliers by geographical locations



For qualified suppliers, we conduct monthly and annual review and disqualify suppliers who do not pass the review. For excellent suppliers, we present the “**Excellent Supplier Award**” to them at the end of the year.

Business Ethics

In order to build a positive and healthy operating environment and ensure sound development of the Group, we establish the *Anti-Corruption Management Methods* (“反貪污受賄管理法”) internally and strictly comply with the laws and regulations. For suppliers, when signing the contract, we require them to sign the *Letter of Commitment of Manufacturer* (“廠商承諾書”) to ensure the transparency of the whole transaction process. In addition, we provide various anonymous channels for reporting immoral matters.

We strictly comply with the related laws and regulations, including but not limited to the Criminal Law of the PRC. In FY2019, we have not been involved in any lawsuits relating to corruption, bribery, blackmail, fraud, or money laundering.

³ The figure refers to the suppliers with amount incurred in FY2019.

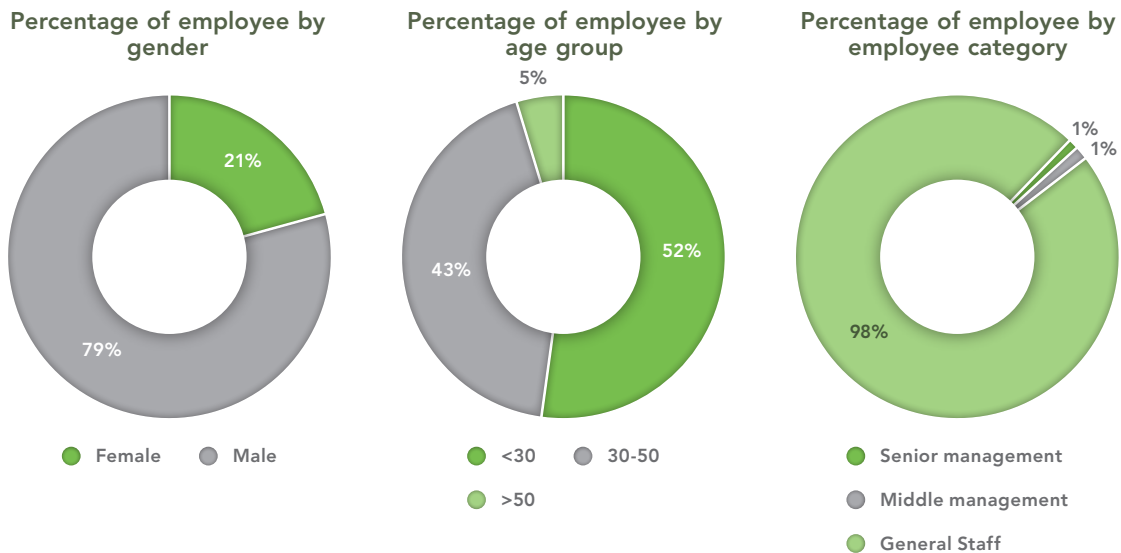
⁴ Due to rounding, the sum may not be 100%.

EMPLOYEE

The Group strictly abides by the international conventions on human rights and labour, as well as the labour and employment regulations and policies of the place where the premises are located. Up to now, it has identified a total of 40 applicable laws, rules and standards, and established relevant systems, including but not limited to *Labour Contract Management* (“勞動合同管理”), *Employment Management* (“員工聘用管理”), *Occupational Physical Examination* (“職業健康體檢”), *Work-related Accident Handling* (“工傷事故處理”), *Dismissal Management* (“離職管理”).

We are committed to creating an innovative, win-win and fair working environment for our employees. While ensuring employees’ safety and health in the workplace, we focus on taking care of our employees and organise diverse activities to promote employees’ physical and mental health. In order to realise the common development of enterprise and individuals, we improve the system of talent cultivation, set channels for internal communication, and provide a good career development platform for our employees.

In FY2019, the total number of employees⁵ reached 1,075 (FY2018: 1,147), among which 194 (FY2018: 216) were female and they accounted for 21% (FY2018: 19%) of the total employees. The overall employee turnover ratio was 22% (FY2018: 22%). The breakdown of the percentage of the workforce by gender, age group and employee category is illustrated as below.



⁵ It refers to the number of employees as at 31 December 2019.

Environmental, Social and Governance Report

Employment and Labour Standards

Labour standards

The Group persists in the equal and fair employment and prohibits any form of discrimination in employment. We ensure our employees will not suffer from discrimination due to race, nationality, colour, religion, physical disability, gender, sexual orientation, club members or marital status.

The Group protects the rights of career development of our female employees. We stipulate that female and male employees are equally entitled to promotion and professional training on technology and management skills. We require a certain proportion of female employees participating in various training and development opportunities, such as further education, on-the-job training and overseas exchange.

We strictly comply with the International Labour Conventions, local laws and regulations relating to labour standards, including but not limited to Provisions on the Prohibition of Using Child Labour and Law of the PRC on the Protection of Minors.

We strictly prohibited child labour and any form of coercion, harassment, physical punishment, psychological oppression or language assault. We respect employees' rights of association.

We did not involve in any child labour, forced labour and discrimination cases in FY2019.

Salary and welfare

We comply with the Labour Contract Law of the PRC. In the PRC, according to the national social security policies, we timely pay social insurances including endowment insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, as well as housing fund for employees in full. We also buy commercial insurances for our employees to improve their abilities to overcome unexpected difficulties.

We established *Staff Management Policy* ("員工管理規則"), which states explicitly that remuneration, insurance and welfare policies should be timely adjusted based on employees' capability, performance and achievement. For example, we awarded a bonus to staff of CNC machine tools division with no or low absenteeism as well as supervisors with excellent performance on duty.

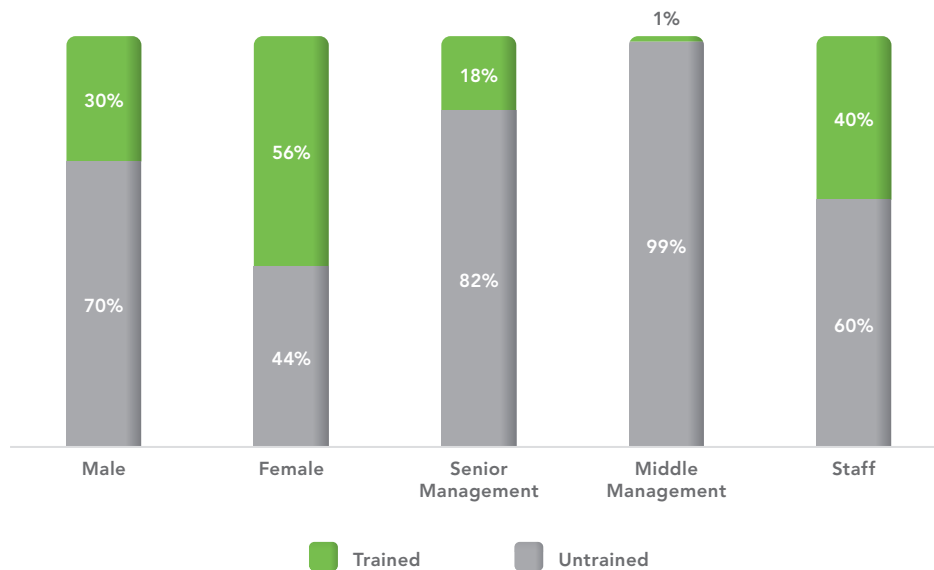
Environmental, Social and Governance Report

Training and Development

The development of the enterprise is closely connected with the growth of the employees. The development of the technical skills and abilities of the employees represents the future of the enterprise. The key to our success is to ensure that each employee is equipped with the corresponding skills for their positions. We encourage our employees to continuously improve and develop themselves, and provide all employees with various of training and skills related competitions so that employees can learn from each other, identify areas of improvements and upgrade themselves.

In FY2019, the average training hours of each employee were 29 hours (FY2018: 22 hours).

Percentage of trained employees by gender and category



In addition, we cooperated with the Hangzhou Vocational and Technical College to establish the Fair Friend Institute of Electromechanical, which has been the cradle for nurturing our talents. Fair Friend Institute of Electromechanical is a key training base for advanced manufacturing talents in Zhejiang Province. It has advanced equipment of RMB130 million with around 20 professors and associate professors as well as 50 full-time and part-time doctoral and master students. It provides employees with a platform for development and training.

Environmental, Social and Governance Report

Safety and Health

Occupational safety and health of the employees is the foundation of the sustainable development of the Group. Although there is no significant occupational safety and health threat in our production and operation processes, we always focus on preventing accidents from happening to protect occupational safety and health for our employees. In strict compliance with the Labour Law of the PRC, the Law of the PRC on Prevention and Control of Occupational Disease and other local laws and regulations on prevention and treatment of occupational diseases, we also continuously perfect the health management of employees and formulate the *Occupational Safety and Health Education System* ("職業安全健康教育制度").

We have obtained accreditation under the ISO 45001 Occupational Health and Safety Management System. We constantly enhance the level of occupational health and safety management, forming a comprehensive mechanism of self-monitoring, self-discovery and self-improvement. Every year, we carry out a complete and comprehensive review on the surrounding environment of production plants to ensure the safety of our employee in the workplace. In FY2019, we did not aware of any work-related fatalities or significant accidents.

Dust and noise are the main factors that cause occupational health problems. To protect our employees' health, we have taken the actions below:

- **Decontamination of dust**

During the production of car parking garage structures, the dust produced by welding threatens the health of the employees. Therefore, we installed 8 dust purifiers which inhale smoke, dust and exhaust gas through the suction of the fan. Meanwhile, the flame arrester at the inlet prevents the entry of the spark generated by welding, filters the smoke etc. The purified gas is draught through the outlet. In this way, it not only ensures the safety of the employees but also protects the natural environment.

- **Noise management**

Nosie from machineries may cause damage to hearing of our employees. To prevent our employees from hearing loss, our Processing Department invested RMB150,000 to build a workshop with vibratory stress relief (VSR) technology, which can reduce the noise level to 98 dB in the workshop and the noise level to 78 dB outside the workshop. We also prohibit our employees from entering the workshop until the vibration process is completed. In such case, the possibility of employees' physical injuries in workplace is reduced.

- **Disease prevention**

We provide regular physical examination for employees to prevent the occurrence of diseases. Our staff canteens provide a high-quality balanced diet for our employees.

Environmental, Social and Governance Report

Care for Employees

We often organise a wide variety of recreational activities to help employees relieve the pressure of work so that they can maintain a work-life balance. For example, we organise “**Walk with joy and perseverance**” (“歡樂出發毅路同行”) every year to enhance employees’ awareness of nature conservation and to relieve their work stress. We have successfully organised activities for our employees’ families for many years to strengthen their family bonding. We regularly organise sports events where our employees can collaborate and work as a team to help promoting a feeling of company solidarity.

In FY2019, we established a running group on a mobile application platform, namely “**Joyrun**” (“悦跑圈”) to promote physical fitness among our employees.

In addition, we help employees in difficulty to ease their financial pressures. For instance, we provide a housing subsidy of RMB500 per month for employees with housing difficulties, which is intended to relieve the pressure of high rent. We also encourage employees to help each other. If any employees are under financial pressure due to specific circumstance, we will take the initiative to raise funds and provide financial assistance for them to tide over the difficulties.

ENVIRONMENT

The Group focuses on the sustainable development management and improving the utilisation rate of resources. We strive to mitigate the impacts on environment in every aspect of our operational processes. We have received ISO14001 Environmental Management System certification for our production plants. We also organised annual internal and external review to ensure that the environmental management system is manageable and effective in the long run.

The Group has continuously optimised the environmental and energy management system, and formulated the *Environmental Quality Manual* (“品質環境手冊”), *Hazardous Material Specification* (“危害物說明書”), *Operation Instructions* (“作業指導書”) and *Air Pollution Control and Management System* (“空氣污染管制管理”), in order to enhance the standard and systematic management of the environmental protection, energy conservation and emission reduction.

The Group strictly complies with the national and local laws and regulations relating to environmental protection and pollution control, including but not limited to the followings:

- the Environmental Protection Law of the PRC
- the Water Pollution Prevention and Control Law of the PRC
- the Law of the PRC on the Prevention and Control of Atmospheric Pollution
- the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste
- the Law of the PRC on Prevention and Control of Pollution from Environmental Noise

In FY2019, there were no environmental pollution accidents, illegal events or complaints from the surrounding residents.

Environmental, Social and Governance Report

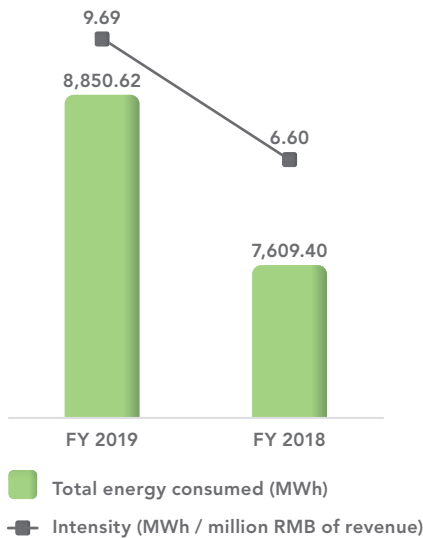
Resources Management

We consume electricity, gasoline, diesel, natural gas, steel and packaging materials in our operations, and we take various actions to reduce our resource consumption.

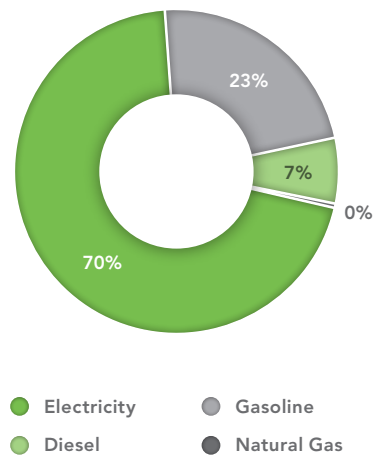
Low-carbon production

The main source of energy consumption in our operation are electricity, gasoline, diesel and natural gas. In FY2019, we consumed 8,850.62 MWh (FY2018: 7,609.40 MWh) of energy in total and the purchased electricity accounted for 70% (FY2018: 71%) of the total energy consumption. Compared to FY2018, the total energy consumption increased by 16% as there was an increase in gasoline consumption.

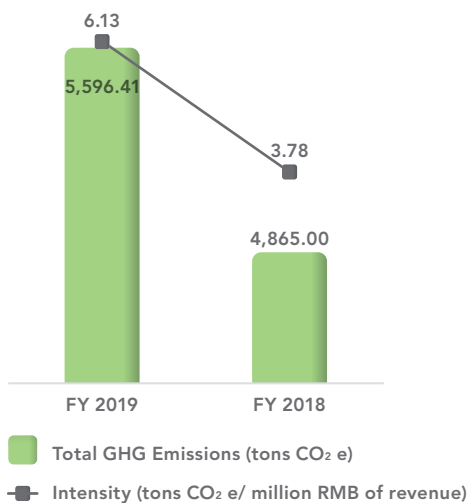
Total Energy Consumption and its Intensity



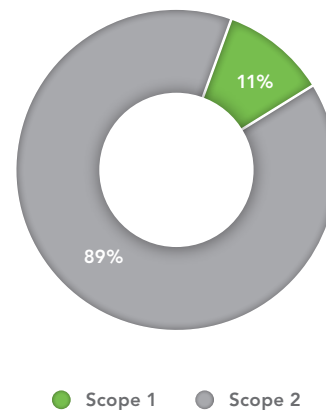
FY2019 Energy Consumption by Category



Total GHG Emissions and its Intensity



FY2019 GHG Emissions by Scope



Environmental, Social and Governance Report

In FY2019, we have 594.53 tons carbon dioxide equivalent (CO₂ e) (FY2018: 567.70 tons CO₂ e) of direct greenhouse gas (GHG) emissions (Scope 1) and 5,001.88 tons CO₂ e (FY2018: 3,816.71 tons CO₂ e) of indirect GHG emissions (Scope 2). Compared with FY2018, the total GHG emissions increased by 15%, which is aligned with the increase in the total energy consumption.

In order to reduce GHG emissions, we have taken a number of measures. In FY2019, we replaced the power-consuming lamps with energy-saving light-emitting diodes (LEDs) and all streetlights within our production plants' area were equipped with intelligent sensing lighting control module, which has effectively reduced the use of electricity. Meanwhile, we carry out measures of transformer outage every year to reduce energy consumption.

Regarding the production of car parking garage structures, we use equipment complying with the energy efficiency standards in Europe. Although cost of the equipment is higher, we uphold the concept of environmental friendliness and implement environmental protection measures at all costs.

Raw materials and packaging materials

Production of car parking garage structures requires substantial amount of steel. To avoid unnecessary steel wastes from cutting and assembly of steel structures by ourselves, we have engaged suppliers who customise the steel for us.

Wood is the major type of packaging material consumption. Our CNC machine tools are usually packed with wooden boxes when delivering to our customers. To reduce our packaging material consumption, we have signed an agreement with packaging material suppliers for recycling of packaging materials in order to reduce the consumption and mitigate the impact on the environment.

In FY2019, we consumed 1,563.97 tons of packaging materials, of which 1,559.85 tons are wood.

Packaging Material Consumption and its Intensity



Environmental, Social and Governance Report

Air Emission Management

The main types of air pollutants produced from our operation include volatile organic compounds (“VOCs”), nitrogen oxides (“NOx”), sulphur oxides (“SOx”) and particulate matters (“PM”). VOCs from our production process contributed the most to our total air pollutant emission amount. The emission amount of inorganic air pollutants (i.e. NOx, SOx and PM) generated from our mobile vehicles, are regarded as insignificant. In order to improve the working environment and reduce the impact on the surrounding environment, we have established the waste gas treatment project with the support of leaders of the Group according to the requirement of the environmental protection project. The waste gas after treatment has met the emission standard stipulated in the Integrated Emission Standard of Air Pollutants (GB16297-1996).

Dust produced in the production process has a significant impact on employees’ health. It will not only do harm to the surrounding environment but also the whole atmosphere if the emissions are not treated. Smoke recycling equipment was installed, and all the dust gas emissions should be processed before being released into the air again. In FY2019, we also retrofitted the paint spraying facilities to mitigate the impacts of VOCs emissions on both the environment and our employees. These measures will greatly reduce the production activities’ impacts on the surrounding environment.

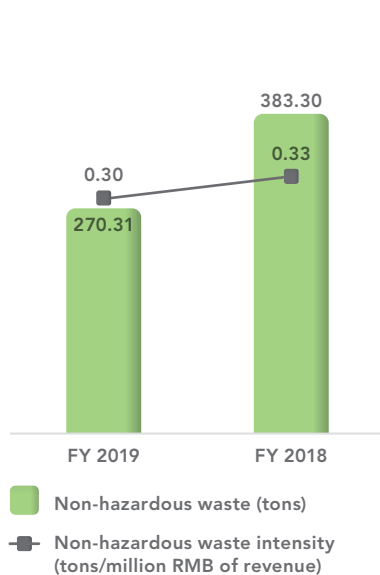
Waste Management

Solid wastes

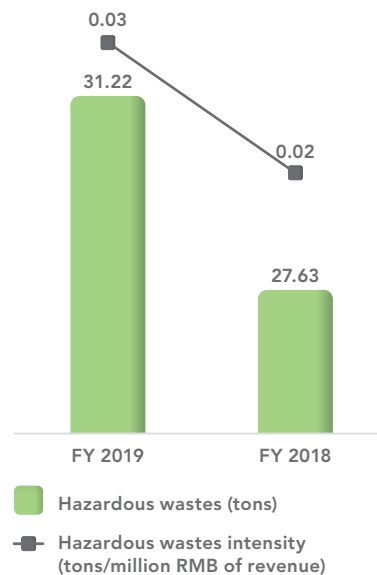
The wastes generated in our production are mainly divided into hazardous wastes and non-hazardous wastes. Non-hazardous wastes mainly include living garbage, scrap iron, grinding wheel and office consumables.

Hazardous wastes mainly include grinding mud, activated charcoal contaminated with paint, paint bucket, waste oil etc.

Total non-hazardous waste produced and its intensity



Total hazardous waste produced and its intensity



Environmental, Social and Governance Report

We implemented the *Regulations of Waste Discharge of Management* (“廢棄物排放管理規定”) in the process of production and operation.

We classified wastes according to the National Catalogue of Hazardous Waste and made corresponding disposal guidelines according to different levels. Hazardous wastes such as waste oil will be disposed of by qualified and professional third parties appointed by the Group.

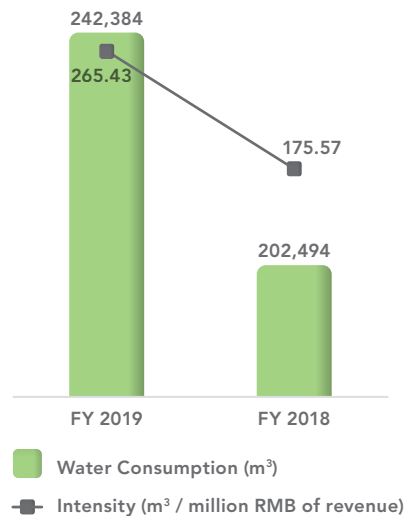
A great deal of heat is generated in the production and cannot be released from the machine, and we use cutting fluid (coolant) for cooling. During the cooling process, the cutting fluid will be mixed with waste oil from the production process and other impurities. We introduced the cutting fluid recovery unit to treat and recycle cutting fluid.

Water Resource Management

Our water is sourced from the urban water supply system. In FY2019, we consumed 242,384 m³ (FY2018: 20,494 m³) of water.

During the production process, we produce small amounts of industrial and domestic wastewater. The domestic wastewater is mainly discharged from office toilets and kitchens. There was no discharge of poisonous, hazardous and special substance. Industrial wastewater is directly discharged through the municipal sewage pipe network and handled by the municipal government’s sewage treatment plant before the discharge.

Total water consumed and its intensity



COMMUNITY

We adhere to the concept of **"What comes from the people should be used for the people"** ("取之於民，用之於民"). When running the business, we plough back part of our profits into the society. This concept is deeply rooted in the hearts of every staff in the Group. In addition, in the vicinity of the production plants, there are many residential areas. We always pay attention to our production activities to minimise nuisance to our neighbours.

Noise Management

Noise is mainly produced by power equipment such as the air compressors, planer type milling machines, horizontal boring machines and cranes. We have installed noise shields and sound-absorbing walls surrounding the equipment to control the noise and reduce the impact on the surrounding residential areas.

Boost of Economic Growth

Through the cooperation with Hangzhou Vocational and Technical College, we have jointly established Fair Friend Institute of Electromechanical, which not only supplies us with talents who are proficient in both theories and practical operation but also consistently supplies the local community with elites in the field of electromechanics and provides employment opportunities for local students. In 1993, Hangzhou Good Friend Precision Machinery Co., Ltd. was established in Xiaoshan district. It has provided a lot of job opportunities to the local economy, promoted the local economic development, and been honoured as one of the top 10 enterprises for boosting local economic development. Our high-quality CNC machine tools, forklifts and parking garage structures also provide strong support for the upgrade of local industry and enterprise transformation.

Community Dedication

We actively participate in various community activities and charitable donations. In FY2019, we participated in the voluntary blood donation activity. At our advocacy, a total of 20,000 millilitres of blood were donated, involving 50 employees. In order to help the poor and the disadvantaged, we donated RMB7,000 in the "Spring Wind" ("春風行動") activity organised by the Hangzhou municipal government.

Education Development

We show great concern and support for the development of education. In FY2019, we co-organised the 13th Vocational and Technical Exhibition with Hangzhou Xiaoshan Technician College ("杭州蕭山技師學院") and sponsored RMB100,000.

Environmental, Social and Governance Report

ESG DATA OVERVIEW

Environmental KPIs	Unit	FY2019	FY2018
Air Emissions ^{Note 1}		4,384.41	4,315.87
NO _x ^{Note 2}	tons	0.08	0.15
SO _x ^{Note 2}	tons	0.02	0.02
PM ^{Note 2}	tons	0.01	0.01
VOCs	tons	25.02	14.51
Total	tons	25.13	14.72
GHG Emissions ^{Note 3}			
Scope 1 ^{Note 2}	tons CO ₂ e	594.53	499.79
Scope 2 ^{Note 2}	tons CO ₂ e	5,001.88	4,365.21
Total ^{Note 2}	tons CO ₂ e	5,596.41	4,865.00
Intensity ^{Note 4}	tons/million RMB	6.13	3.78
Hazardous wastes			
Grinding mud	tons	21.25	23.75
Activated charcoal contaminated with paint	tons	2.50	2.00
The paint bucket	tons	2.64	1.26
Waste oil	tons	4.83	0.62
Total hazardous wastes produced	tons	31.22	27.63
Intensity ^{Note 4}	tons/million RMB	0.03	0.02
Non-hazardous wastes			
Scrap iron	tons	70.65	208.67
Living garbage	tons	166.24	173.00
Grinding wheel	tons	1.43	0.52
Office consumables	tons	0.38	1.11
Other industrial garbage	tons	32.11	0.00
Total non-hazardous wastes produced	tons	270.81	383.30
Intensity ^{Note 4}	tons/million RMB	0.30	0.33
Water consumption			
Total	m ³	242,384.00	202,494.00
Intensity ^{Note 4}	m ³ /million RMB	265.43	175.57
Energy consumption			
Electricity	MWh	6,216.61	5,425.32
Gasoline	MWh	2,018.20	1,610.64
Diesel	MWh	577.98	573.44
Natural gas	MWh	37.83	–
Total	MWh	8,850.62	7,609.40
Intensity ^{Note 4}	MWh/million RMB	9.69	6.60

Environmental, Social and Governance Report

Environmental KPIs	Unit	FY2019	FY2018
Packaging material consumption			
Wood	tons	1,559.85	2,066.30
Other materials	tons	31.14	130.50
Total	tons	1,590.99	2,196.80
Intensity ^{Note 4}	tons/million RMB	1.74	1.90

Note 1: Reference is made to Road Vehicles Air Pollutant Emission Inventory Preparation Technical Guide (Trial) issued by the Ministry of Ecology and Environment of the PRC regarding the calculation of NO_x, SO_x and PM. The air pollutants emissions incurred by forklift trucks were not included due to the distance travel data were not available.

Note 2: Figure in FY2018 is restated for consistent comparison.

Note 3: Reference is made to the GHG Protocol Tool for Energy Consumption in China (Version 2.1) published by World Resources Institute and 2017 Regional Emission Reduction Project China Regional Grid Baseline Emission Factors issued by the Climate Change Department of the Ministry of Ecology and Environment of the PRC regarding the calculation of the GHG emissions.

Note 4: Intensity is calculated as the total divided by revenue (in million RMB) the corresponding years.

Social KPIs	Unit	FY2019	FY2018
Workforce			
Total ^{Note 5}	/	1,075	1,147
By gender			
Female	/	194	216
Male	/	881	931
By age group			
Under 30	/	305	363
From 30 to 50	/	696	717
Over 50	/	74	67
By employee category			
Senior management	/	6	7
Middle management	/	134	160
General Staff	/	935	980
Employee turnover ^{Note 6}	%	22	22
Safety			
Number of work-related fatalities	/	0	0
Rate of work-related fatalities	/	0	0
Number of lost days due to work injury	/	527	450

Environmental, Social and Governance Report

Social KPIs	Unit	FY2019	FY2018
Development and Training			
Percentage of employees trained ^{Note 7}			
Overall	%	65	86
By gender			
Female	%	44	64
Male	%	70	91
By employee category			
Senior management	%	82	71
Middle management	%	99	98
General Staff	%	60	84
Average training hours completed per employee ^{Note 8}			
Overall	hours/employee	29	22
By gender			
Female	hours/employee	26	13
Male	hours/employee	30	24
By employee category			
Senior management	hours/employee	18	3
Middle management	hours/employee	32	21
General Staff	hours/employee	29	22

Note 5: Social KPIs only cover the four entities: Hangzhou Good Friend Precision Machinery Precision Co., Ltd., Hangzhou Global Friend Precision Machinery Co., Ltd., Hangzhou Ever Friend Precision Machinery Co., Ltd. and Hangzhou Glory Friend Machinery Technology Co., Ltd. Therefore, variances may exist compared to figures presented in other sections of our Annual Report 2019.

Note 6: Employee turnover rate is calculated as the total number of employees who left employment divided by the sum of the total number of employees who left employment and the total number of employees as at 31 December 2019.

Note 7: Percentage of employees trained is calculated as the total number of employees trained divided by the total number of employees.

Note 8: Average training hours completed per employee is calculated as the total number of training hours divided by the total number of employees.

Environmental, Social and Governance Report

APPENDIX I – INDEX OF ESG GUIDE

Aspect	Description	Sections/Remarks
A. Environmental		
Aspect A1: Emissions		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Resource management; Air emission management; Waste management; Water resource management
A1.1	The types of emissions and respective emissions data	Air emission management
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Resource management
A1.3	Total hazardous wastes produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Waste management
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Waste management
A1.5	Description of measures to mitigate emissions and results achieved	Resource management; Air emission management; Waste management; Water resource management
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Waste management

Environmental, Social and Governance Report

Aspect	Description	Sections/Remarks
Aspect A2: Use of resources		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Resource management; Waste management; Water resource management
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	Resource management
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Water resource management
A2.3	Description of energy use efficiency initiatives and results achieved	Resource management
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Resource management
A2.5	Total packing material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Resource management
Aspect A3: The environment and natural resources		
General disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	Resource management; Air emission management; Waste management; Water resource management
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Resource management; Air emission management; Waste management; Water resource management

Environmental, Social and Governance Report

Aspect	Description	Sections/Remarks
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare	Employee
B1.1	Total workforce by gender, employment type, age group and geographical region	ESG data overview
B1.2	Employee turnover rate by gender, age group and geographical region	ESG data overview (Remark: Only total employee turnover rate is disclosed.)
Aspect B2: Health and safety		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Safety and health
B2.1	Number and rate of work-related fatalities	ESG data overview
B2.2	Lost days due to work injury	ESG data overview
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Safety and health
Aspect B3: Development and training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Training and development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	ESG data overview
B3.2	The average training hours completed per employee by gender and employee category	ESG data overview

Environmental, Social and Governance Report

Aspect	Description	Sections/Remarks
Aspect B4: Labour standards		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour standards	Employment and labour
B4.1	Description of measures to review employment practices to avoid child and forced labour standards	Employment and labour
B4.2	Description of steps taken to eliminate such practices when discovered standards	Employment and labour
Aspect B5: Supply chain management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	Supplier management
B5.1	Number of suppliers by geographical region	Supplier management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supplier management
Aspect B6: Product responsibility		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Market
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Quality assurance
B6.2	Number of products and service related complaints received and how they are dealt with	Customer service
B6.3	Description of practices relating to observing and protecting intellectual property rights	Quality assurance
B6.4	Description of quality assurance process and recall procedures	Quality assurance
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Customer service

Environmental, Social and Governance Report

Aspect	Description	Sections/Remarks
Aspect B7: Anti-corruption		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Business ethics
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Business ethics
B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored	Business ethics
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Community
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Boost of economic growth; Community dedication; Education development
B8.2	Resources contributed (e.g. money or time) to the focus area	Boost of economic growth; Community dedication; Education development

Independent Auditor's Report



To the Shareholders of Good Friend International Holdings Inc.
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Good Friend International Holdings Inc. (the "Company") and its subsidiaries ("Group") set out on pages 71 to 167, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

1. Impairment assessment of trade receivables and contract assets
2. Impairment assessment of inventories

Independent Auditor's Report

To the Shareholders of Good Friend International Holdings Inc.
(Incorporated in the Cayman Islands with limited liability) (Continued)

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>1. Impairment assessment of trade receivables and contract assets</p> <p>Refer to note 21A, 21B and 38(d) to the consolidated financial statements.</p> <p>As at 31 December 2019, the carrying amount (net of impairment) of trade receivables and contract assets amounted to approximately RMB230,255,000.</p> <p>The impairment assessment of trade receivables and contract assets involves judgement and management estimates in evaluating the expected credit loss ("ECL") of the Group's trade receivables and contract assets at the end of the reporting period.</p> <p>The management of the Group estimates the amount of lifetime ECL of trade receivables and contract assets based on provision matrix with appropriate groupings. For collective assessment, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. In addition, trade receivables and contract assets are assessed individually for debtors with significant balances or credit impaired. ECL is estimated based on historical credit loss experience based on the past default experience of the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The loss allowance amount of the credit impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.</p> <p>The Group reversed impairment of trade receivables and contract assets totally RMB3,009,000 during the year ended 31 December 2019. The Group's lifetime ECL on trade receivables and contract assets as at 31 December 2019 amounted to RMB39,815,000.</p>	<p>Our procedures in relation to the loss allowance for ECL on trade receivables and contract assets included:</p> <ul style="list-style-type: none">• Obtaining an understanding of the key controls over the impairment assessment of trade receivables and contract assets, including but not limited to the management of the Group's assessment on the creditworthiness of the counterparties;• Testing the trade receivables' aging report as at 31 December 2019, on a sample basis, by comparing individual balances in the aging report with the relevant sale agreements, sales invoices and other supporting documents; and• Assessing the management of the Group's basis and judgement in determining credit loss allowance on trade receivables and contract assets as at 31 December 2019, including their identification and evaluation of individually assessed trade receivables and contract assets, the reasonableness of the management of the Group's grouping of trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information).

To the Shareholders of Good Friend International Holdings Inc.

(Incorporated in the Cayman Islands with limited liability) (Continued)

KEY AUDIT MATTERS (Continued)

Key Audit Matter

How our audit addressed the Key Audit Matter

2. Impairment assessment of inventories

Refer to note 5(c) as stated in key sources of estimation uncertainty and 24 to the consolidated financial statements.

As at 31 December 2019, the carrying amount (net of impairment) of inventories amounted to approximately RMB493,053,000.

The cost of inventories of the Group mainly comprises raw materials, direct labour, other direct costs and related production overheads. Given the relatively long production cycles and the unpredictability of the fluctuations of raw material prices, the inventories are exposed to the risk of being carried in excess of net realisable value.

In assessing the net realisable value and making appropriate allowances to inventories, the management estimates impairment of inventories by identifying inventories that are slow moving or obsolete, and consider the inventories' physical conditions, age, market conditions, market prices for similar items, costs of completion and costs necessary to make the sale.

The Group recognised impairment of inventories of RMB667,000 during the year ended 31 December 2019. The aggregate impairment of inventories as at 31 December 2019 amounted to RMB23,135,000.

Our procedures in relation to the impairment assessment of inventories included:

- Obtaining an understanding of the management of the Group's key controls over the impairment assessment of inventories;
- Attending the inventory count performed by the management of the Group to evaluate whether obsolete inventories are properly identified with which the impairment assessment is based;
- Testing the inventories aging report, on a sample basis, with reference to the procurement and/or production records;
- Evaluating the reasonableness of impairment on inventories with reference to the aging report and subsequent movement of the inventories;
- Comparing the carrying amount of inventories on hand to the latest selling prices and/or net realisable value on a sample basis; and
- Evaluating the adequacy of impairment provision on inventories with reference to the information obtained above.

Independent Auditor's Report

To the Shareholders of Good Friend International Holdings Inc.

(Incorporated in the Cayman Islands with limited liability) (Continued)

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

To the Shareholders of Good Friend International Holdings Inc.

(Incorporated in the Cayman Islands with limited liability) (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

To the Shareholders of Good Friend International Holdings Inc.

(Incorporated in the Cayman Islands with limited liability) (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wong Tak Man, Stephen.

RSM Hong Kong

Certified Public Accountants

Hong Kong

12 May 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	NOTE	2019 RMB'000	2018 RMB'000
Revenue	6A	910,695	1,090,693
Cost of revenue	6B	(701,597)	(799,966)
Gross profit		209,098	290,727
Other income	7A	157,038	84,483
Distribution and selling expenses		(121,928)	(132,609)
Administrative expenses		(71,562)	(64,137)
Research and development costs		(29,086)	(37,087)
Reversal of impairment/(impairment loss) on trade receivables and contract assets		3,009	(8,875)
Other gains and losses	7B	(7,547)	(28,321)
Other expenses	7C	(22,805)	(87,968)
Other operating expenses		(1,297)	(1,458)
Finance costs	10	(24,744)	(14,180)
Share of profit of joint ventures	19	1,141	2,118
Share of loss of associates	20	(57,089)	(45,423)
Profit/(loss) before tax	8	34,228	(42,730)
Income tax expense	11	(22,069)	(14,994)
Profit/(loss) attributable to owners of the Company		12,159	(57,724)
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(4,790)	2,664
Net fair value gain on receivables at fair value through other comprehensive income ("FVTOCI")		246	1,999
Share of other comprehensive income of associates	20	12,637	17,228
		8,093	21,891
<i>Item that will not be reclassified to profit or loss:</i>			
Share of other comprehensive income of associates	20	(28,080)	1,021
Total comprehensive income attributable to owners of the Company		(7,828)	(34,812)
Earnings/(loss) per share (expressed in RMB per share)	12		
– Basic		0.03	(0.14)
– Diluted		N/A	N/A
Dividends	13	–	44,352

Consolidated Statement of Financial Position

	NOTE	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	15	218,344	204,710
Right-of-use assets	16	124,371	–
Prepaid lease payments	14	–	120,147
Intangible assets	17	1,407	2,215
Investments in joint ventures	19	21,646	20,505
Investments in associates	20	392,326	331,323
Deferred tax assets	32	27,991	27,520
		786,085	706,420
Current assets			
Inventories	24	493,053	524,752
Trade and other receivables and prepayments	21A	227,096	345,810
Contract assets	21B	44,399	46,727
Loans receivable	22	48,394	35,627
Receivables at FVTOCI	23	101,945	106,400
Prepaid lease payments	14	–	2,905
Amounts due from fellow subsidiaries and associates of ultimate holding company	40	6,248	23
Amounts due from joint ventures	40	512	461
Amounts due from associates and subsidiaries of an associate	40	235,155	151,059
Restricted bank balances	25	106,333	69,987
Financial assets at fair value through profit or loss ("FVTPL")		–	108,020
Bank and cash balances	26	74,860	112,673
		1,337,995	1,504,444

Consolidated Statement of Financial Position

	NOTE	2019 RMB'000	2018 RMB'000
Current liabilities			
Trade and other payables and accrued expenses	28	389,300	242,969
Contract liabilities	29	300,336	358,751
Deferred income	33	1,410	–
Amount due to ultimate holding company	40	157	638
Amount due to immediate holding company	40	815	2,832
Amounts due to fellow subsidiaries and associates of ultimate holding company	40	2,457	3,637
Amounts due to joint ventures	40	380	362
Amounts due to an associate and subsidiaries of an associate	40	23,481	28,435
Lease liabilities	34	2,486	–
Provision for litigation claim	36	60,117	60,117
Refund liabilities	36	100,903	100,903
Current tax liabilities		17,445	21,979
Bank and other borrowings	31	400,071	563,239
Warranty provision	30	4,019	5,311
		1,303,377	1,389,173
Net current assets		34,618	115,271
Total assets less current liabilities		820,703	821,691
Non-current liabilities			
Bank and other borrowings	31	36,760	35,093
Deferred income	33	73,680	70,192
Lease liabilities	34	1,784	–
		112,224	105,285
Net Assets		708,479	716,406
Capital and reserves			
Share capital	27	4,021	4,022
Share premium		82,183	82,281
Capital reserves		77,338	77,338
Other reserves		66,454	58,361
Retained earnings		478,483	494,404
Total Equity		708,479	716,406

Approved by the Board of Directors on 12 May 2020 and are signed on its behalf by:

CHU Chih-Yaung
DIRECTOR

WEN Chi-Tang
DIRECTOR

Consolidated Statement of Changes in Equity

	Share capital RMB'000	Share premium RMB'000 (note a)	Capital reserves RMB'000 (note b)	Other reserves RMB'000 (note c)	Retained earnings RMB'000	Total RMB'000
At 1 January 2018	4,022	82,281	77,338	36,470	595,459	795,570
Total comprehensive income for the year	–	–	–	21,891	(56,703)	(34,812)
Dividends recognised as distribution (note 13)	–	–	–	–	(44,352)	(44,352)
At 31 December 2018 and 1 January 2019	4,022	82,281	77,338	58,361	494,404	716,406
Total comprehensive income for the year	–	–	–	8,093	(15,921)	(7,828)
Share repurchased and cancelled (note 27)	(1)	(98)	–	–	–	(99)
At 31 December 2019	4,021	82,183	77,338	66,454	478,483	708,479

Notes:

a. Share premium

Under the Companies Law of the Cayman Islands, where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on their shares shall be transferred to share premium account. The application of the share premium account is governed by the Companies Law of the Cayman Islands. Share premium of the Company is distributable to shareholders subject to the provisions of the Company's Memorandum and Articles of Association and provided that immediately following the distribution the Company is able to pay its debts as they fall due in the ordinary course of business.

b. Capital reserves

Capital reserve represents the difference between the paid-in capital/share capital and share premium of the subsidiaries acquired at the consideration of nominal value of the Company's shares issued during the time of the corporate reorganisation of the Group prior to the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

c. Other reserves

In addition to currency translation reserve and receivables at FVTOCI reserve, other reserves include general reserve and statutory reserve which are set up in accordance with statutory requirements in the People's Republic of China ("PRC").

Statutory reserves include statutory surplus reserve and discretionary surplus reserve.

According to the relevant rules and regulations in the PRC, subsidiaries of the Company established in the PRC are required to transfer 10% of their profit after tax, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Statutory surplus reserve can be used to set off previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

Moreover, upon approval by the equity owner, a subsidiary of the Company can transfer 10% of its profit after tax, as determined in accordance with the PRC accounting and regulations, to the discretionary surplus reserve.

Consolidated Statement of Cash Flows

	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	34,228	(42,730)
Adjustments for:		
Amortisation of prepaid lease payments	–	2,905
Amortisation of intangible assets	824	1,186
Depreciation of property, plant and equipment	9,006	9,894
Depreciation of right-of-use assets	5,602	–
Impairment of inventories	667	2,087
Interest expense	24,744	14,180
Interest income	(3,842)	(4,496)
Loss/(gain) on disposal of property, plant and equipment	416	(118)
Provision for litigation claim	–	60,117
(Reversal of impairment)/impairment loss on trade receivables and contract assets	(3,009)	8,875
Share of loss of associates	57,089	45,423
Share of profit of joint ventures	(1,141)	(2,118)
Sales return	–	3,037
Unrealised net exchange loss	5,776	25,195
Warranty expenses	2,985	4,983
	99,117	171,150

Consolidated Statement of Cash Flows

	2019 RMB'000	2018 RMB'000
Operating profit before working capital charges	133,345	128,420
Decrease in inventories	40,742	11,468
Decrease in trade and other receivables and prepayments	121,712	20,400
Decrease/(increase) in contract assets	2,339	(254)
Decrease in receivables at FVTOCI	4,723	–
Increase in restricted bank balances	(36,346)	(37,271)
Decrease in amount due from ultimate holding company	–	1,053
(Increase)/decrease in amounts due from fellow subsidiaries and associates of ultimate holding company	(6,225)	1,453
(Increase)/decrease in amounts due from joint ventures	(51)	391
Increase in amounts due from associates and subsidiaries of an associate	(84,096)	(31,976)
Increase/(decrease) in trade and other payables and accrued expenses	146,331	(7,382)
Decrease in contract liabilities	(58,415)	(77,960)
Decrease in amount due to ultimate holding company	(141,160)	(6,762)
(Decrease)/increase in amount due to immediate holding company	(2,017)	709
Increase/(decrease) in amounts due to joint ventures	18	(246)
Decrease in amounts due to an associate and subsidiaries of an associate	(4,954)	(8,892)
Decrease in amounts due to fellow subsidiaries and associates of ultimate holding company	(1,180)	(36)
Decrease in warranty provision	(4,277)	(5,427)
Decrease in deferred income	(3,749)	–
Cash generated from/(used in) operations	106,740	(12,312)
Income tax and withholding tax paid	(27,096)	(21,905)
Interest on lease liabilities	(171)	–
Net cash generated from/(used in) operating activities	79,473	(34,217)

Consolidated Statement of Cash Flows

	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan to a non-controlling shareholder of a subsidiary of an associate of the Group	(12,767)	(35,627)
Acquisition of property, plant and equipment	(31,571)	(44,922)
Proceeds from disposal of property, plant and equipment	472	519
Purchase of intangible assets	(16)	(264)
Interest received	3,842	4,496
Withdrawal of financial assets at FVTPL	217,655	507,800
Purchases of financial assets at FVTPL	(109,635)	(539,680)
Net cash generated from/(used in) investing activities	67,980	(107,678)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	3,708,993	3,390,069
Repayments of bank borrowings	(3,877,937)	(3,184,943)
Government grant received	8,647	9,012
Principal elements of lease payments	(2,651)	–
Dividends paid	–	(44,352)
Repurchase of shares	(99)	–
Interest paid	(24,573)	(14,180)
Net cash (used in)/generated from financing activities	(187,620)	155,606
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
Effect of foreign exchange rate changes	2,354	891
CASH AND CASH EQUIVALENTS AT 1 JANUARY	112,673	98,071
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	74,860	112,673
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	74,860	112,673

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Good Friend International Holdings Inc. (the “Company”) was incorporated in the Cayman Islands with limited liabilities. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Room 2003, 20th Floor, Kai Tak Commercial Building, 317-319 Des Vouex Road Central, Hong Kong. The Company’s shares are listed on the Main Board of the Stock Exchange. In addition, 67,200,000 units of Taiwan depository receipts, representing 67,200,000 newly issued shares of the Company, were issued and listed on the Taiwan Stock Exchange Corporation on 18 March 2010. In the opinion of the directors of the Company, Good Friend (H.K.) Corporation Limited (“Hong Kong GF”), a company incorporated in Hong Kong, and Fair Friend Enterprise Company Limited (“Fair Friend”), a company incorporated in Taiwan, are the immediate holding company and the ultimate holding company, respectively.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 18 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 *Leases* ("HKFRS 16"), and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 *Leases* ("HKAS 17"), and the related interpretations, HK(IFRIC) 4 *Determining whether an Arrangement contains a Lease*, HK(SIC) 15 *Operating Leases-Incentives* and HK(SIC) 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 16 Leases (Continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) *Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.35% per annum.

Notes to the Consolidated Financial Statements

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 16 Leases (Continued)

(b) Lessee accounting and transitional impact *(Continued)*

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of leasehold lands and properties was determined on a portfolio basis;
- (iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;
- (iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* ("HKAS 12") requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Notes to the Consolidated Financial Statements

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 16 Leases (Continued)

(b) Lessee accounting and transitional impact *(Continued)*

The following table reconciles the operating lease commitments as disclosed in note 37(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	6,245
Less: commitments relating to lease exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(2,683)
	<u>3,562</u>
Less: total future interest expenses	(240)
Present value of remaining lease payments, discounted using the incremental borrowing rate and lease liabilities recognised as at 1 January 2019	<u>3,322</u>
Of which are:	
Current lease liabilities	1,975
Non-current lease liabilities	1,347
	<u>3,322</u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

Notes to the Consolidated Financial Statements

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

(b) Lessee accounting and transitional impact (Continued)

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	Note	Carrying amount as at 31 December 2018 RMB'000	Effects of adoption of HKFRS 16		Carrying amount as at 1 January 2019 RMB'000
			Reclassification RMB'000	Recognition of leases RMB'000	
Assets					
Right-of-use assets		–	123,052	3,322	126,374
Prepaid land lease payments (note 14)	(i)	123,052	(123,052)	–	–
Liabilities					
Lease liabilities		–	–	(3,322)	(3,322)

Note:

- (i) Upfront payments for leasehold lands in the PRC own used properties were classified as prepaid land lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid land lease payments amounting to RMB2,905,000 and RMB120,147,000 respectively were classified to right-of-use assets.

Notes to the Consolidated Financial Statements

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

(c) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element (note 35(a)). These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows (note 35(b)).

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019			2018	
	Amounts reported under HKFRS 16 RMB'000	Add back: HKFRS 16 depreciation and interest expense RMB'000	Deduct: Estimated amounts related to operating lease as if under HKAS 17 (note 1) RMB'000	Hypothetical amounts for 2019 as if under HKAS 17 RMB'000	Compared to amounts reported for 2018 under HKAS 17 RMB'000
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Profit/(loss) before finance costs and tax	58,972	5,602	(5,727)	58,847	(28,550)
Finance costs	(24,744)	171	-	(24,573)	(14,180)
Profit/(loss) before tax	34,228	5,773	(5,727)	34,274	(42,730)
Profit/(loss) for the year	12,159	5,773	(5,727)	12,205	(57,724)

Notes to the Consolidated Financial Statements

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

(c) Impact of the financial results and cash flows of the Group (Continued)

	2019			2018
	Amounts reported under HKFRS 16 RMB'000	Estimated amounts related to operating leases as if under HKAS 17 (note 2) RMB'000	Hypothetical amounts for 2019 as if under HKAS 17 RMB'000	Compared to amounts reported for 2018 under HKAS 17 RMB'000
Line items in the consolidated statement of cash flows for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash generated generate from/ (used in) operations	106,740	(2,822)	103,918	(12,312)
Interest element of lease rentals paid	(171)	171	–	–
Net cash generated from/ (used in) operating activities	79,473	(2,651)	76,822	(34,217)
Capital element of lease rentals paid	(2,651)	2,651	–	–
Net cash (used in)/generated from financing activities	(187,620)	2,651	(184,969)	155,606

Note 1: The “estimated amounts related to operating leases” is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

Notes to the Consolidated Financial Statements

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has assessed the type of each of its joint arrangements and determined them to all be joint ventures.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's entire carrying amount of that joint venture (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Joint arrangements *(Continued)*

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investments in joint ventures are stated at cost less impairment losses.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment and right-of-use assets

Property, plant and equipment, including buildings and leasehold land (upon application of HKFRS 16 at 1 January 2019, the interest in leasehold land was reclassified to right-of-use assets, see note 3), held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment and right-of-use assets *(Continued)*

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	20 years
Machinery and equipment	10 years
Office and computer equipment	3-5 years
Motor vehicles	4 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) *The Group as a lessee*

Policy applicable from 1 January 2019

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily office. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leases (Continued)

(i) The Group as a lessee (Continued)

Policy applicable from 1 January 2019 (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases *(Continued)*

(i) *The Group as a lessee (Continued)*

Policy applicable from 1 January 2019 (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

Policy prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, except for the property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases *(Continued)*

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(g) Intangible assets

(i) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(ii) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(h) Impairment on non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment on non-financial assets *(Continued)*

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 4(y) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(l) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represents solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial assets *(Continued)*

Debt investments (Continued)

- FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, amount due to ultimate holding company, amount due to immediate holding company, amounts due to fellow subsidiaries and associates of ultimate holding company, amounts due to an associate and subsidiaries of an associate, amounts due to joint ventures and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

(q) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the ECL model under HKFRS 9 and;
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 *Revenue from contracts with Customers* ("HKFRS 15").

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(r) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Warranties

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

For service-type warranties, the promised service is a performance obligation. In that case, the Group allocates a portion of the transaction price to the warranty.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

For revenue from machine tools and forklift trucks, the management of the Group has assessed that the control of the goods underlying the sales contracts have been transferred to the customers upon delivery, title has been passed, and goods inspected and accepted by the customer.

For revenue from parking garage structures, the management of the Group has assessed the contract terms and the regulatory environment in the PRC, and concludes that the related performance obligations do not satisfy the over time recognition criteria and thus the Group's revenue from parking garage structures is recognised at a point in time when the customer obtains control of the distinct goods.

For machine tools, parking garage structures and forklift trucks, customers are generally required to make an advance payment of 30% of the total contract sum before the Group commences any work, this will give rise to contract liabilities at the start of a contract. During the course of production of parking garage structures, customers will generally be required to make progress payment. In general, customers will be required to pay not less than 80% of the total contract sum before the Group installs the parking garage structures to customer's designated site. For machine tools, customers will be required to pay not less than 90% of the total contract sum before the Group send the machine tools to customer's designated site. For forklift trucks, customers generally are required to pay all the total contract sum before the Group send the forklift trucks to customer's designated site. If customers are satisfied with the parking garage structures installed and sign for receipt of machine tools and forklift trucks, they will issue an acceptance certificate to the Group. The Group normally provides a warranty period of 1 to 2 years after the installation of parking garage structures and the issuance of the final acceptance certificate. The Group generally allows a credit period of 30 to 180 days to its customers.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits schemes

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(w) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(y) Impairment of financial assets and contracts assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Impairment of financial assets and contracts assets *(Continued)*

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) the financial instrument has a low risk of default,
- (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Impairment of financial assets and contracts assets *(Continued)*

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Impairment of financial assets and contracts assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(z) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

The following is the critical judgements, apart from those involving estimations (see below), that the management of the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) *Revenue recognition*

The recognition of each of the Group's revenue streams requires judgement by the management of the Group in determining the timing of satisfaction of performance obligations.

In making their judgement, the management of the Group considers the detailed criteria for recognition of revenue set out in HKFRS 15, and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the detailed terms of transaction as stipulated in the contracts entered into with its customers and counterparties.

For revenue from machine tools and forklift trucks, the management of the Group has assessed that the control of the goods underlying the sales contracts have been transferred to the customers upon the delivery and acceptance of the goods delivered. Therefore, the management of the Group has justified that the performance obligation in respect of the sales income is satisfied at a point in time and recognises revenue at a point in time.

For revenue from parking garage structures, the management of the Group has assessed the contract terms and the regulatory environment in the PRC and concludes that the related performance obligations do not satisfy the over time recognition criteria. Therefore, the management of the Group has justified that the performance obligation in respect of the parking garage structures is satisfied at a point in time and recognises revenue at a point in time.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Critical judgements in applying accounting policies *(Continued)*

(b) Significant increase in credit risk

As explained in note 4(y), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

(c) Significant influence assessment

Although the Group owns more than 50% of the equity interest in FFG European and American Holdings GmbH ("FFG EA"), FFG EA is treated as an associate because according to the shareholders' agreement, each of the three shareholders are entitled to one member vote of the shareholders' committee. The directors have determined that the Group is only able to exercise significant influence over FFG EA (note 20).

(d) Joint control assessment

In relation to the Group's investments in joint ventures, the directors have determined that the Group has joint control over the arrangement as under the contractual agreement, it appears that unanimous consent is required from all parties to the agreement for all relevant activities (note 19).

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Provision for litigation claim

As at 31 December 2019, the expected loss on settlement of the litigation amounted to RMB60,117,000, which is provided for under "provision for litigation claim" in the consolidated statement of financial position. Details of the provision for litigation claim as at 31 December 2019 are set out in note 36.

Due to the fact that the outcome of the second-instance judgement from the Province Higher People's Court in Anhui cannot be determined at this stage, an overprovision or underprovision for litigation claim may arise when the outcome is reached.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2019, the carrying amount of property, plant and equipment and right-of-use assets amounted to RMB218,344,000 (2018: RMB204,710,000) and RMB124,371,000 (2018: Nil) respectively. No impairment loss is recognised for the years ended 31 December 2019 and 2018.

(c) Impairment of inventories

The Group reviews the carrying values of its inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing the net realisable value and making appropriate allowances, the management estimates the provision for impairment of inventories by identifying inventories that are slow moving or obsolete, and considering their physical conditions, age, market conditions and market prices for similar items.

As at 31 December 2019, the carrying amount of the Group's inventories amounted to RMB493,053,000 (net of impairment of inventories of RMB23,135,000) (2018: RMB524,752,000 (net of impairment of inventories of RMB23,629,000)).

(d) Warranty provision

The Group generally offers one-year warranty for its machine tools and forklift trucks, and two-year warranty for its parking garage structures. The management estimates the related provision for future warranty claim based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claim. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

As at 31 December 2019, the carrying amount of the Group's warranty provision amounted to RMB4,019,000 (2018: RMB5,311,000).

Notes to the Consolidated Financial Statements

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(e) Impairment of financial assets and contract assets

The Group reviews its financial assets and contract assets to assess impairment on a regular basis. The methodologies and assumptions used for estimating the impairment are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The management of the Group estimates the amount of loss allowance for ECL on trade and other receivables, contract assets, loans receivable, restricted bank balances, amounts due from joint ventures, fellow subsidiaries, associates of the ultimate holding company, associates and subsidiaries of an associate and bank balances based on the credit risk of the financial assets. The estimation of the credit risk of the financial assets and contract assets involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(f) Impairment of investments in associates and joint ventures

The Group reviews its investments in associates and joint ventures to assess impairment on a regular basis. The methodologies and assumptions used for estimating the impairment are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

6A. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major product lines for the year is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
– Machine tools	739,056	928,341
– Parking garage structures	107,345	89,814
– Forklift trucks	64,294	72,538
	910,695	1,090,693

The Group derives revenue from the transfer of goods and services at a point in time in the above major product lines and mainly sells in the PRC.

Notes to the Consolidated Financial Statements

6B. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors (the "Executive Directors") of the Company. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports reviewed by the Executive Directors that are used to make strategic decisions.

The Executive Directors consider that the Group has three operating and reportable segments: (1) machine tools; (2) parking garage structures; and (3) forklift trucks. No operating segments have been aggregated in arriving at the reportable segments of the Group.

The Executive Directors assess the performance of the operating segments based on their respective gross profit, which is consistent with that in the consolidated financial statements.

The Group does not allocate distribution and selling expenses, administrative expenses, other operating expenses or segment assets and liabilities to its segments as the Executive Directors do not use this information to allocate resources to or evaluate the performance of the operating segments. Therefore, the Group does not report a measure of segment assets and liabilities for each operating and reportable segment.

	Machine tools RMB'000	Parking garage structures RMB'000	Forklift trucks RMB'000	Total RMB'000
For the year ended 31 December 2019				
Revenue (from external customers)	739,056	107,345	64,294	910,695
Cost of revenue	(549,878)	(88,079)	(63,640)	(701,597)
Segment profit	189,178	19,266	654	209,098
Share of profit of joint ventures				1,141
Share of loss of associates				(57,089)
Unallocated amounts:				
Other income				157,038
Distribution and selling expenses				(121,928)
Administrative expenses				(71,562)
Research and development costs				(29,086)
Reversal of impairment on trade receivables and contract assets				3,009
Other gains and losses				(7,547)
Other expenses				(22,805)
Other operating expenses				(1,297)
Finance costs				(24,744)
Profit before tax				34,228

Notes to the Consolidated Financial Statements

6B. SEGMENT INFORMATION *(Continued)*

	Machine tools RMB'000	Parking garage structures RMB'000	Forklift trucks RMB'000	Total RMB'000
For the year ended 31 December 2018				
Revenue (from external customers)	928,341	89,814	72,538	1,090,693
Cost of revenue	(665,102)	(70,291)	(64,573)	(799,966)
Segment profit	263,239	19,523	7,965	290,727
Share of profit of joint ventures				2,118
Share of loss of associates				(45,423)
Unallocated amounts:				
Other income				84,483
Distribution and selling expenses				(132,609)
Administrative expenses				(64,137)
Research and development costs				(37,087)
Impairment loss on trade receivables and contract assets				(8,875)
Other gains and losses				(28,321)
Other expenses				(87,968)
Other operating expenses				(1,458)
Finance costs				(14,180)
Loss before tax				(42,730)

For the years ended 31 December 2018 and 2019, majority of the Group's operations and identifiable non-current assets are located in the PRC and the Group mainly sells to the PRC market. No customers contributed over 10% of total revenue of the Group for each of the years.

Notes to the Consolidated Financial Statements

7A. OTHER INCOME

	2019 RMB'000	2018 RMB'000
Compensation income from an associate, FFG Werke GmbH ("FFG Werke") (note a)	72,667	–
Sale of scrap materials	31,118	38,055
Consultancy income	4,301	2,629
Government grants and subsidies related to income (note b)	19,890	22,787
Repair income	16,265	13,780
Rental income	1,261	460
Interest income	3,842	4,496
Others	7,694	2,276
	157,038	84,483

Note:

- a. Compensation income represents the compensation from FFG Werke, an associate of the Group and the supplier of the corresponding CNC machine tools products, to the Group in respect of the litigation claim raised by a customer to the Group's subsidiaries as disclosed in note 36.
- b. Government grants and subsidies mainly represent the refund of value-added tax in relation to software embedded in the sales of machine tools. These grants and subsidies are accounted for as immediate financial support with neither future related costs expected to be incurred nor related to any assets.

7B. OTHER GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000
(Loss)/gain on disposal of property, plant and equipment	(416)	118
Net foreign exchange loss	(7,131)	(28,439)
	(7,547)	(28,321)

7C. OTHER EXPENSES

	2019 RMB'000	2018 RMB'000
Provision for litigation claim	–	60,117
Cost of scrap materials sold	22,805	27,851
	22,805	87,968

Notes to the Consolidated Financial Statements

8. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax has been arrived at after charging:

	2019 RMB'000	2018 RMB'000
Directors and chief executives' remuneration	1,721	1,690
Other staff costs	146,751	145,906
Other staff's retirement benefits scheme contributions	5,543	4,910
Total staff costs	154,015	152,506
Capitalised in inventories	(52,685)	(55,746)
	101,330	96,760
Depreciation of property, plant and equipment	18,716	20,795
Depreciation on right-of-use assets	5,602	–
Amortisation of prepaid lease payments	–	2,905
Amortisation of intangible assets	824	1,252
Total depreciation and amortisation	25,142	24,952
Capitalised in inventories	(9,710)	(10,967)
	15,432	13,985
Auditor's remuneration	1,893	1,808
Cost of inventories sold	695,986	765,594
Impairment of inventories	667	2,087
(Loss)/gain on disposals of property, plant and equipment	(416)	118
Reversal of impairment/(impairment loss) on trade receivables and contract assets	3,009	(8,875)
Provision for warranty	2,985	4,983
Direct operating expenses incurred for rental income	469	330

Notes to the Consolidated Financial Statements

9. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive' emoluments

The remuneration of each director and chief executive officer, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is set out below:

(i) Executive directors

	Chu Chih Yang# RMB'000	Chen Hsiang-Jung* RMB'000	Chen Min-Ho RMB'000	Wen Chi-Tang RMB'000	Chiu Rung-Hsien RMB'000	Total RMB'000
Year ended						
31 December 2019						
Fees	-	-	-	144	144	288
Salaries and other benefits	-	-	-	-	-	-
Retirement benefit scheme contribution	-	-	-	-	-	-
Discretionary performance related bonus	1,075	-	-	-	-	1,075
Total	1,075	-	-	144	144	1,363
Year ended						
31 December 2018						
Fees	-	-	-	144	144	288
Salaries and other benefits	-	-	-	-	-	-
Retirement benefit scheme contribution	-	-	-	-	-	-
Discretionary performance related bonus	1,051	-	-	-	-	1,051
Total	1,051	-	-	144	144	1,339

Chairman and also appointed as chief executive officer on 7 December 2018

* Chief executive officer, passed away on 8 November 2018

Notes to the Consolidated Financial Statements

9. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive' emoluments *(Continued)*

(ii) Independent non-executive directors

	Koo Fook Sun, Louis RMB'000	Chiang Chun-Te* RMB'000	Yu Yu-Tang RMB'000	Total RMB'000
Year ended 31 December 2019				
Fees	178	90	90	358
Year ended 31 December 2018				
Fees	175	88	88	351

* Resigned on 10 January 2020

The executive directors' and chief executive officer's emoluments shown above were mainly for their services as directors and chief executive officer and in connection with the management of the affairs of the Group. The independent non-executive directors' emoluments shown above were mainly for their services as directors.

The remuneration of the directors and chief executive officer is determined by factors including their time commitment, responsibilities, performance, experiences, and the overall performance of the Group.

(iii) Save as these set out in note 40, no significant transactions arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2018: one) was the director of the Company. The emoluments of the remaining four (2018: four) highest paid employees who are neither a director nor chief executive officer of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries and allowances	5,204	1,987
Discretionary performance related bonus	4,045	1,992
Retirement benefit scheme contribution	93	165
	9,342	4,144

Notes to the Consolidated Financial Statements

9. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Five highest paid individuals *(Continued)*

The emoluments of the five highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follow:

	Number of individuals	
	2019	2018
Nil to RMB2,000,000	2	4
RMB2,000,001 to RMB5,000,000	2	–

During the year, no emoluments were paid by the Group to any of the directors and chief executive officer of the Company or five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or chief executive officer of the Company waived any emoluments during the year (2018: Nil).

10. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest expenses on:		
– Bank borrowings	24,573	14,180
– Other borrowings	1,667	583
– Lease liabilities (note 16)	171	–
Total borrowing costs	26,411	14,763
Less: amounts capitalised in the cost of qualifying assets	(1,667)	(583)
	24,744	14,180

Borrowing costs on other borrowings capitalised during the year are calculated by applying a capitalisation rate of 4.75% per annum (2018: 4.75%).

Notes to the Consolidated Financial Statements

11. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current Tax – PRC Enterprise Income Tax (“EIT”)		
– Provision for the year	26,748	16,403
– Over provision in prior years	(4,208)	(610)
	22,540	15,793
Deferred tax (note 32)	(471)	(799)
	22,069	14,994

No provision for Hong Kong Profits Tax has been made since the Group did not have any assessable profit subject to Hong Kong Profits Tax for both years.

EIT is provided at 25% (2018: 25%) for subsidiaries in the PRC except for Hangzhou Good Friend Precision Machinery Co., Ltd. (“Hangzhou Good Friend”). Hangzhou Good Friend has been approved by the relevant government authorities and recognised as a new and high-tech enterprise. As such Hangzhou Good Friend is entitled to a reduced tax rate of 15% for a three-years period commencing from 2018. Accordingly, the applicable tax rate for Hangzhou Good Friend in 2019 is 15% (2018: 15%).

According to Detailed Implementation Regulations for implementation of the EIT law of the PRC issued on 6 December 2007, dividends paid out by companies established in the PRC to their then foreign investors is subject to 10% withholding tax from 1 January 2008 onwards. A lower withholding tax rate may be applied if there is a tax arrangement between Mainland China and the jurisdiction of the foreign investors. Under the Arrangement between the Mainland China and the Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, or China-HK Tax Arrangement, a qualified Hong Kong tax resident which is the “beneficial owner” and holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding rate of 5%. During the year, dividend of RMB281,653,000 was declared and paid by Hangzhou Good Friend.

For the year ended 31 December 2019, the directors of the Company have assessed that no dividends will be declared by any of the PRC subsidiaries in the foreseeable future so it is concluded that no withholding tax shall be accrued on the undistributed retained earnings of the PRC subsidiaries as the Group is able to control the timing of the reversal of such temporary differences and it is probable that such temporary differences would not be reversed in foreseeable future.

Notes to the Consolidated Financial Statements

11. INCOME TAX EXPENSE (Continued)

Income tax expense for the year can be reconciled to profit/(loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 RMB'000	2018 RMB'000
Profit/(loss) before tax	34,228	(42,730)
Add: Share of loss of joint ventures and associates	55,948	43,305
	90,176	575
Tax calculated at tax rates applicable to the principal operating entity of the Group (15%)	13,526	86
Tax effect of:		
Income not taxable for tax purpose	(12,682)	(545)
Expenses not deductible for tax purpose	7,586	8,563
Utilisation of previously unrecognised tax losses	–	(1,467)
Tax losses for which no deferred income tax asset was recognised	11,628	12,048
Deductible temporary differences not recognised	(4,404)	1,043
Different tax rates of subsidiaries	766	(62)
Tax concession granted to Hangzhou Good Friend	(4,226)	(4,062)
PRC dividend withholding tax	14,083	–
Over provision in prior years	(4,208)	(610)
Income tax expense	22,069	14,994

12. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit attributable to owners of the Company amounted to RMB12,159,000 (2018: loss attributable to owners of the Company: RMB57,724,000) by the weighted average number of ordinary shares of 403,145,000 (2018: 403,200,000) shares in issue during the year.

	2019	2018
Basic earnings/(loss) per share (RMB per share)	0.03	(0.14)

Diluted earnings/(loss) per share

No diluted earnings/(loss) per share was presented as there were no potential dilutive ordinary shares in issue for both years.

Notes to the Consolidated Financial Statements

13. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year: 2018: 2018 interim dividend of RMB0.05 per share and 2017 final dividend of RMB0.06 per share	–	44,352

No dividends was proposed for ordinary shareholders of the Company for the year ended 31 December 2019.

14. PREPAID LEASE PAYMENTS

	RMB'000
At 1 January 2018	125,957
Amortised to profit or loss	(2,905)
At 31 December 2018 and 1 January 2019	123,052
Reclassification due to adoption of HKFRS 16 (note 3)	(123,052)
Restated balance at 1 January 2019	–
	2018 RMB'000
Current portion	2,905
Non-current portion	120,147
	123,052

The Group has pledged its prepaid lease payments with carrying amounts of approximately RMB87,600,000 as at 31 December 2018 to secure the general banking facilities and other borrowings granted to the Group as disclosed in note 42.

Notes to the Consolidated Financial Statements

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Office and computer equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2018	205,222	168,822	31,550	20,571	6,692	432,857
Additions	272	1,863	667	2,317	40,386	45,505
Transfers	–	172	57	–	(229)	–
Disposals	–	(840)	(427)	(2,769)	–	(4,036)
At 31 December 2018 and 1 January 2019	205,494	170,017	31,847	20,119	46,849	474,326
Additions	720	810	687	2,247	28,774	33,238
Transfers	5,277	–	–	–	(5,277)	–
Disposals	–	(1,056)	(2,030)	(3,032)	(2)	(6,120)
At 31 December 2019	211,491	169,771	30,504	19,334	70,344	501,444
Accumulated depreciation and impairment						
At 1 January 2018	86,143	123,269	24,443	18,601	–	252,456
Provided for the year	9,157	9,524	992	1,122	–	20,795
Disposals	–	(751)	(392)	(2,492)	–	(3,635)
At 31 December 2018 and 1 January 2019	95,300	132,042	25,043	17,231	–	269,616
Provided for the year	8,794	8,129	677	1,116	–	18,716
Disposals	–	(918)	(1,806)	(2,508)	–	(5,232)
At 31 December 2019	104,094	139,253	23,914	15,839	–	283,100
Carrying values						
At 31 December 2019	107,397	30,518	6,590	3,495	70,344	218,344
At 31 December 2018	110,194	37,975	6,804	2,888	46,849	204,710

As at 31 December 2018, buildings with carrying amounts of approximately RMB7,763,000 were pledged to secure the general banking facilities granted to the Group as disclosed in note 42. Such pledge has been released during the year ended 31 December 2019.

Notes to the Consolidated Financial Statements

16. RIGHT-OF-USE ASSETS

	Leasehold lands	Leased properties	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2019 (note 3)	123,052	3,322	126,374
Additions	–	3,599	3,599
Depreciation	(2,905)	(2,697)	(5,602)
At 31 December 2019	120,147	4,224	124,371

The Group has pledged its leasehold lands with carrying amounts of approximately RMB82,484,000 as at 31 December 2019 to secure the other borrowings to the Group as disclosed in note 42.

Lease liabilities of RMB4,270,000 are recognised with related right-of-use assets of RMB4,224,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2019 RMB'000
Depreciation expenses on right-of-use assets	5,602
Interest expense on lease liabilities (included in finance costs)	171
Expenses relating to short-term lease (included in cost of goods sold and administrative expenses)	4,135

Details of total cash outflow for leases is set out in note 35.

For both years, the Group leases various offices, residence and warehouses for its operations. Lease contracts are entered into for fixed term of 1 year to 5 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and certain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

Notes to the Consolidated Financial Statements

16. RIGHT-OF-USE ASSETS (Continued)

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised as at 31 December 2019 (discounted) RMB'000	Potential future lease payments under extension options not included in lease liabilities (undiscounted) RMB'000
Offices, residence and warehouse located in PRC	4,270	4,537

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2019, there has been no such triggering event.

17. INTANGIBLE ASSETS

	Softwares RMB'000
Cost	
At 1 January 2018	15,657
Additions	264
At 31 December 2018 and 1 January 2019	15,921
Additions	16
At 31 December 2019	15,937
Accumulated amortisation	
At 1 January 2018	12,454
Charge for the year	1,252
At 31 December 2018 and 1 January 2019	13,706
Charge for the year	824
At 31 December 2019	14,530
Carrying values	
At 31 December 2019	1,407
At 31 December 2018	2,215

Notes to the Consolidated Financial Statements

18. DETAILS OF SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2019 and 2018:

Name	Place of incorporation/ registration and operation	Principal activities	Issued and fully paid-up share capital/ registered capital	Interest held	
				2019	2018
Directly held subsidiaries					
Winning Steps Ltd.	British Virgin Island (BVI)	Investment holding	Ordinary shares United States dollars (USD)110	100%	100%
Yu Hwa Holdings Ltd.	BVI	Investment holding	Ordinary shares USD1,500,000	100%	100%
Hai Sheng International Holdings Inc.	BVI	Investment holding	Ordinary shares USD200,000	100%	100%
Sky Thrive Investment Ltd.	BVI	Investment holding	Ordinary shares USD5,000,000	100%	100%
Kai Win Group Ltd.	BVI	Investment holding	Ordinary shares USD1	100%	100%
Winnings Steps Hong Kong Development Ltd.	Hong Kong	Trading and Investment holding	Ordinary shares Hong Kong dollars (HKD) 1,000	100%	100%
Full Moral Industrial Ltd.	Hong Kong	Inactive	Ordinary shares HKD2	100%	100%
Yu Hwa Hong Kong Enterprise Ltd.	Hong Kong	Investment holding	Ordinary shares HKD1,000	100%	100%
Hai Sheng International Hong Kong Ltd.	Hong Kong	Investment holding	Ordinary shares HKD1,000	100%	100%
Sky Thrive Hong Kong Enterprise Ltd. (Sky Thrive)	Hong Kong	Investment holding	Ordinary shares HKD1,000	100%	100%

Notes to the Consolidated Financial Statements

18. DETAILS OF SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operation	Principal activities	Issued and fully paid-up share capital/ registered capital	Interest held	
				2019	2018
Indirectly held subsidiaries					
Hangzhou Good Friend	PRC*	Design and production of computer numerical control, design machine tools and construction of three dimensional car parking garage structure	Registered Capital USD11,000,000	100%	100%
Hangzhou Global Friend Precision Machinery Co., Ltd.	PRC*	Design and assembling of forklift trucks	Registered Capital USD10,000,000	100%	100%
Hangzhou Ever Friend Precision Machinery Co., Ltd.	PRC*	Design and production of computer numerical control machine tools	Registered Capital USD30,000,000	100%	100%
Hangzhou Glory Friend Machinery Technology Co., Ltd.	PRC*	Processing of computer numerical control machine tools	Registered Capital USD15,000,000	100%	100%
Rich Friend (Shanghai) Precision Machinery Co., Ltd.	PRC*	Trading of computer numerical control machine tools	Registered Capital USD200,000	100%	100%
Huller Hille (Shanghai) Machinery Co., Ltd. (Huller Hille)	PRC*	Trading of high-end machine tools	Registered Capital USD1,000,000	100%	100%
Fair Friend (Henan) Precision Machinery Co., Ltd. (Fair Friend Henan)	PRC*	Design and production of computer numerical control machine tools, design and construction of three dimensional car parking garage structure	Registered Capital USD30,000,000	100%	100%

The above list contains the particulars of subsidiaries which principally affected the result, assets or liabilities to the Group.

* These subsidiaries are PRC limited liability companies.

Notes to the Consolidated Financial Statements

19. INVESTMENTS IN JOINT VENTURES

	2019 RMB'000	2018 RMB'000
Cost of unlisted investments in joint ventures	27,666	27,666
Share of post-acquisition losses	(6,020)	(7,161)
	21,646	20,505

Details of the Group's joint ventures at 31 December 2019 and 2018 are as follows:

Name	Place of incorporation/ registration	Registered capital	Proportion of ownership interest/ voting power held by the Group	Principal activities
Anest Iwata Feeler Corporation (AIF)	PRC	Registered Capital USD9,000,000	35%	Manufacture and sales of air compressor and parts
Hangzhou Nippon Cable Feeler Corporation (Nippon Cable Feeler)	PRC	Registered Capital USD100,000	50%	Wholesale and export of parking garage structures
Hangzhou Feeler Mectron Machinery Co., Ltd. (Feeler Mectron)	PRC	Registered Capital USD1,110,000	45%	Manufacture and sales of machine tools and related products
Hangzhou Union Friend Machinery Co., Ltd. (UFM)	PRC	Registered Capital USD1,000,000	55%	Manufacture and sales of machine tools and related products

The directors of the Group has determined that the Group has joint control over the arrangement as under the respective contractual agreements, it appears that unanimous consent is required from all parties to the agreements for all relevant activities.

Notes to the Consolidated Financial Statements

19. INVESTMENTS IN JOINT VENTURES *(Continued)*

Summarised financial information of material joint venture

Summarised financial information in respect of each of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

AIF

At 31 December:	2019 RMB'000	2018 RMB'000
Current assets	50,180	48,455
Non-current assets	26,220	28,681
Current liabilities	(21,905)	(23,764)
Non-current liabilities	(7,016)	(7,065)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	7,497	8,990
Current financial liabilities (excluding trade and other payables and provisions)	(7,220)	(8,403)
Year ended 31 December:	2019 RMB'000	2018 RMB'000
Revenue	89,674	102,765
Profit and total comprehensive income for the year	1,172	3,349

Notes to the Consolidated Financial Statements

19. INVESTMENTS IN JOINT VENTURES *(Continued)*

Summarised financial information of material joint venture *(Continued)*

The above profit and total comprehensive income for the year includes the following:

Year ended 31 December:	2019	2018
	RMB'000	RMB'000
Depreciation and amortisation	3,226	2,971
Interest income	(15)	(10)
Interest expense	–	405
Income tax expense	–	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in AIF recognised in the consolidated financial statements:

At 31 December:	2019	2018
	RMB'000	RMB'000
Net assets of AIF	47,479	46,307
Proportion of the Group's ownership interest in AIF	35%	35%
Carrying amount of the Group's interest in AIF	16,618	16,207

Aggregate information of joint ventures that are not individually material

Year ended 31 December:	2019	2018
	RMB'000	RMB'000
The Group's share of profit and total comprehensive income for the year	731	946
At 31 December:	2019	2018
	RMB'000	RMB'000
Aggregate carrying amount of the Group's interests of these joint ventures	5,028	4,298

Notes to the Consolidated Financial Statements

20. INVESTMENTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Cost of unlisted investment in associates	556,380	415,701
Share of post-acquisition losses and other comprehensive income	(191,849)	(119,317)
Exchange difference arising on translation of foreign operations	27,795	34,939
	392,326	331,323

Details of the Group's associates at 31 December 2019 and 2018 are as follows:

Name of entity	Place of incorporation/ registration	Paid up capital	Proportion of ownership interest/ voting power held by the Group	Principal activities
FFG Europe S.p.A. (FFG Europe)	Italy	EUR3,379,429	30.16%/30.16%	Manufacture and sales of machine tools and related products
FFG Werke	Germany	EUR195,000	39.00%/39.00%	Manufacture and distribution of machine tools, spare parts and accessories; providing training and maintenance service for machine tools and products
FFG EA	Germany	EUR20,343	81.37%/33.33%	Investment holding company

Notes to the Consolidated Financial Statements

20. INVESTMENTS IN ASSOCIATES *(Continued)*

FFG Europe

The Group holds approximately 30.16% ownership interests in FFG Europe through Sky Thrive, a wholly owned subsidiary of the Company.

According to the Article of Association of FFG Europe, shareholder resolutions are to be adopted by a simple majority of all shareholders authorised to vote, and each share confers one vote. In the opinion of the directors of the Company, the Group has significant influence in FFG Europe. Accordingly, the Group accounted for such investment as investment in an associate in the consolidated financial statements.

FFG Werke

The Group holds approximately 39% ownership interests in FFG Werke through Sky Thrive, a wholly-owned subsidiary of the Company.

According to the Article of Association of FFG Werke, shareholder resolutions are to be adopted by a simple majority of all shareholders authorised to vote, and each share confers one vote. In the opinion of the directors of the Company, the Group has significant influence in FFG Werke. Accordingly, the Group accounted for such investment as investment in an associate in the consolidated financial statements.

FFG EA

The Group holds approximately 81.37% ownership interests in FFG EA through Sky Thrive, a wholly-owned subsidiary of the Company.

The shareholders of FFG EA have agreed to establish a shareholder committee, under which each of three shareholders shall be entitled to designate one member vote of the shareholders' committee. The entire control over FFG EA shall be governed by the shareholder committee, and any resolution passed with the shareholder committee will be based on simple majority. In the opinion of the directors of the Company, the Group is able to exercise significant influence over FFG EA. Accordingly, the Group accounted for such investment as investment in an associate in the consolidated financial statements.

The principal investment of FFG EA is a 55.3% equity interest in FFG European Holding GmbH, an investment company incorporated in Germany, which in turn effectively owns 100% equity interest in MAG Global Holding GmbH (MAG) and its subsidiaries (collectively referred to as MAG Group). The principal activities of MAG Group are production of machine tools and production systems in Germany and USA.

Notes to the Consolidated Financial Statements

20. INVESTMENTS IN ASSOCIATES (Continued)

Summarised statement of financial position of material associate

Summarised financial information on the associates that are material to the Group is shown below. The results of the associates are accounted for in the consolidated financial statements using equity method. The summarised financial information presented is based on HKFRSs financial statements of the associate.

At 31 December:

	FFG EA	
	2019 RMB'000	2018 RMB'000
Cash	147,374	188,920
Other current assets	1,872,112	2,057,476
Total current assets	2,019,486	2,246,396
Short term bank borrowings	(172,776)	(207,568)
Other financial liabilities	(1,459,488)	(1,835,053)
Total current liabilities	(1,632,264)	(2,042,621)
Non-current assets	1,737,392	1,743,790
Non-current liabilities	(1,178,404)	(1,205,208)
Net assets	946,210	742,357
Less: non-controlling interests	464,060	335,177
Net assets attributed to the owners of the associate	482,150	407,180
Group's share of net assets	392,326	331,323

Notes to the Consolidated Financial Statements

20. INVESTMENTS IN ASSOCIATES (Continued)

Summarised statement of profit or loss and other comprehensive income of material associate

Year ended 31 December:	FFG EA	
	2019 RMB'000	2018 RMB'000
Revenue	3,349,477	3,572,255
Cost of revenue	(2,882,198)	(3,077,960)
Other expenses	(553,955)	(535,239)
Loss before tax	(86,676)	(40,944)
Income tax credit/(expense)	12,825	(42,263)
Loss for the year	(73,851)	(83,207)
Less: non-controlling interests	(3,691)	(27,384)
Loss for the year attributed to owners of the associate	(70,160)	(55,823)
Other comprehensive income for the year attributed to owners of the associate	(18,979)	22,427
Group's share of loss of associates	(57,089)	(45,423)
Group's share of other comprehensive income of associates	(15,443)	18,249

The Group has not recognised loss for the year of FFG Europe and FFG Werke in aggregate amounting to RMB19,064,000 (2018: 66,926,000). The aggregate accumulated losses not recognised were RMB110,525,000 (2018: RMB91,983,000).

Notes to the Consolidated Financial Statements

21A. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2019 RMB'000	2018 RMB'000
Trade receivables	225,452	323,790
Less: impairment of trade receivables (note 38(d))	(39,596)	(46,931)
	185,856	276,859
Prepayments	14,749	44,713
Other receivables	26,491	24,238
	227,096	345,810

The Group generally allows a credit period of 30 to 180 days to its customers. The Group also allows its customers to retain certain percentage of the outstanding balances as retention money amounted to RMB22,696,000 (2018: RMB22,699,000) of which the conditions to entitlement of consideration had been reached and became unconditional.

At 31 December 2019 and 2018, the aging analysis of trade receivables based on the invoice date, and net of allowance, is as follows:

	2019 RMB'000	2018 RMB'000
Current – 30 days	21,541	32,087
31 – 60 days	18,300	9,694
61 – 90 days	14,376	27,194
91 – 180 days	23,947	29,461
Over 180 days	107,692	178,423
	185,856	276,859

Notes to the Consolidated Financial Statements

21A. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

The Group's trade receivables that are denominated in currency other than the functional currency of the relevant group entities is set out below:

	2019 RMB'000	2018 RMB'000
USD	4,766	9,100
EUR	9,248	16,708

21B. CONTRACT ASSETS

	2019 RMB'000	2018 RMB'000
Arising from revenue from		
– Machine tools	34,041	30,692
– Parking garage structures	10,577	16,265
	44,618	46,957
Less: impairment on contract assets (note 38(d))	(219)	(230)
	44,399	46,727

The contract assets primarily relate to the Group's right to billing for work completed and not billed because the rights are conditional upon specified payment milestones at the end of each reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers the contract assets to trade receivables when the Group achieved the specific milestones of payments in the corresponding contracts.

The Group classifies these contract assets as current asset because the Group expects to realise them in its normal operating cycle and within one year.

Notes to the Consolidated Financial Statements

22. LOANS RECEIVABLE

As at 31 December 2019, the Group's loans receivable to a non-controlling shareholder of an associate is unsecured, interest free, repayable on demand. The repayment of the loans receivable is guaranteed by the ultimate holding company.

The Group's loans receivable that are denominated in currency other than the functional currency of the relevant group entities is set out below:

	2019 RMB'000	2018 RMB'000
EUR	48,394	35,627

23. RECEIVABLES AT FVTOCI

	2019 RMB'000	2018 RMB'000
Bills receivable aged within 1 year presented based on the issue dates of bills receivable	101,945	106,400

Bills receivable are denominated in RMB.

24. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	49,401	62,425
Work in progress	234,622	234,030
Finished goods	209,030	228,297
	493,053	524,752

Impairment of inventories of RMB667,000 (2018: RMB2,087,000) has been recognised and included in cost of sales during the year.

Notes to the Consolidated Financial Statements

25. RESTRICTED BANK BALANCES

	2019 RMB'000	2018 RMB'000
Restricted bank balances arising from		
– trade finance facilities	43,728	15,900
– litigation claim (note 36)	62,605	54,087
	106,333	69,987

Restricted bank balances from trade finance facilities represent the amounts placed in banks as guarantees issued for trade finance facilities granted to the Group as set out in note 42 to the consolidated financial statements. The deposits have maturity period within one year which carry fixed interest rate at 0.3% (2018: 0.3%) per annum.

Breaches in meeting the financial covenants would permit the bank to immediate call for repayment. There have been no breaches in the financial covenants of any borrowings for the years ended 31 December 2018 and 2019.

26. BANK AND CASH BALANCES

Bank balances carry interest at market rates which range from 0.01% to 1% (31 December 2018: 0.35% to 1.5%) per annum.

The Group's bank and cash balances (including restricted bank balances) that are denominated in currency other than the functional currency of the relevant group entities is set out below:

	2019 RMB'000	2018 RMB'000
USD	11,969	6,114
EUR	13,070	31,418
Others	6,051	7,247

As at 31 December 2019, the bank and cash balances and restricted bank balances of the Group denominated in RMB amounted to RMB150,103,000 (2018: RMB137,881,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

Notes to the Consolidated Financial Statements

27. SHARE CAPITAL

	Number of shares '000	Amount HKD'000	Amount RMB'000
Ordinary share of HKD0.01 each			
Authorised:			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	1,000,000	10,000	10,211
Issued and fully paid:			
At 1 January 2018, 31 December 2018 and 1 January 2019	403,200	4,032	4,022
Share repurchased and cancelled (note a)	(126)	(1)	(1)
At 31 December 2019	403,074	4,031	4,021

Note:

- (a) The Company repurchased 126,000 of its own shares through purchases on the Stock Exchange in July 2019. The total amount paid of approximately RMB99,000, net of related transaction costs has been deducted from share premium.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the bank borrowings.

The Group receives a report from the share registrars on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2019, over 25% (2018: over 25%) of the shares were in public hands.

Notes to the Consolidated Financial Statements

28. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	2019 RMB'000	2018 RMB'000
Trade payables	162,885	163,957
Bills payable	150,144	–
Other payables	32,152	32,474
Accrued expenses	44,119	46,538
	389,300	242,969

The following is an aging analysis of trade and bills payables presented based on the invoice date:

	2019 RMB'000	2018 RMB'000
Current – 30 days	54,647	54,794
31 – 60 days	47,414	41,850
61 – 90 days	45,400	9,928
91 – 180 days	73,700	24,325
Over 180 days	91,868	33,060
	313,029	163,957

The Group normally receives credit terms of 30 to 90 days from its suppliers (2018: 30 to 60 days).

The Group's trade payables denominated in currencies other than the functional currency of the relevant group entities is set out below:

	2019 RMB'000	2018 RMB'000
USD	10,582	3,224
EUR	–	13,436

Notes to the Consolidated Financial Statements

29. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Billing in advance of revenue from:		
– Machine tools	87,904	145,501
– Parking garage structures	206,512	205,920
– Forklift trucks	5,920	7,330
	300,336	358,751

Contract liabilities relating to billing in advance of revenue from machine tools, parking garage structures and forklift trucks are balances due to customers under sales contracts. These arise if billing is made in advance of the Group's performance obligation of the sales contracts.

Contract liabilities that are expected to be settled within the Group's normal operating cycle are classified as current liabilities. There were no significant changes in the contract liabilities balances during the respecting period.

Movements in contract liabilities:

	2019 RMB'000	2018 RMB'000
Balance at 1 January	358,751	436,711
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	(169,415)	(245,805)
Increase in contract liabilities as a result of billing in advance of revenue from:		
– Machine tools	53,936	104,518
– Parking garage structures	53,318	102,371
– Forklift trucks	3,746	4,820
Amount reallocated to refund liabilities for litigation claim	–	(43,864)
Balance at 31 December	300,336	358,751

Notes to the Consolidated Financial Statements

30. WARRANTY PROVISION

	2019 RMB'000	2018 RMB'000
At 1 January	5,311	5,755
Additional provision during the year	2,985	4,983
Utilisation of provision	(4,277)	(5,427)
At 31 December	4,019	5,311

The warranty provision represents the Group's best estimate of the Group's liability under 1 to 2 years warranty granted to the Group's sale of machine tools, parking garage structures and forklift trucks based on prior experience and industry average level for defective products.

31. BANK AND OTHER BORROWINGS

	2019 RMB'000	2018 RMB'000
Bank borrowings – variable interest rates	400,071	563,239
Other borrowings – interest free	36,760	35,093
	436,831	598,332
Secured	36,760	35,093
Unsecured	400,071	563,239
	436,831	598,332
Carrying amount repayable*		
Within one year	400,071	563,239
Within a period of more than two years but not exceeding five years	36,760	35,093
	436,831	598,332

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The Group's bank borrowings carry interest with reference to Hong Kong Interbank Offered Rate/London Interbank Offered Rate/Taipei Interbank Offered Rate/European Interbank Offered Rate.

Notes to the Consolidated Financial Statements

31. BANK AND OTHER BORROWINGS (Continued)

The Group's other borrowings are interest-free loan of RMB43,522,000 received from the PRC government. The loan is repayable in full in 2023. Using prevailing market interest rate for an equivalent loan of 4.75%, the fair value of the loan at inception is estimated at RMB34,510,000. The difference of RMB9,012,000 between the gross proceeds and the fair value of the other borrowings represents the benefit derived from the interest-free loan and is recognised as deferred income (note 33) and will be recognised in profit or loss on the same basis as depreciation for the related property, plant and equipment.

The range of effective interest rates of the Group's bank and other borrowings are as follows:

	2019	2018
Effective interest rate	0.9% to 5.87% per annum	0.9% to 4.75% per annum

The Group's bank and other borrowings that are denominated in currencies other than the functional currency of the relevant group entities is set out below:

	2019 RMB'000	2018 RMB'000
USD	87,367	106,268
EUR	42,790	139,172
HKD	179,777	305,014

Notes:

- As at 31 December 2018, the Group's prepaid lease payments with carrying amounts of approximately RMB3,262,000 and buildings with carrying amounts of approximately RMB7,763,000 were pledged to secure the general banking facilities granted to the Group. Such pledge has been released during the year ended 31 December 2019.
- As at 31 December 2019, personal guarantees were provided by a director of the Company and a related party of the Group in respect of the Group's bank facilities of RMB90,691,000 (2018: RMB96,085,000).
- As at 31 December 2019, the Group's other borrowings of RMB36,760,000 (2018: RMB35,093,000) were secured by right-of-use assets (2018: prepaid lease payments) with carrying amounts of approximately RMB82,484,000 (2018: RMB84,338,000).

Notes to the Consolidated Financial Statements

32. DEFERRED TAX ASSETS

The movement on the deferred tax assets during the year are as follows:

	Impairment on trade receivables and contract assets RMB'000	Impairment of inventories RMB'000	Warranty provision RMB'000	Deferred income RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	4,864	1,066	819	15,295	5,030	27,074
Charge to other comprehensive income	(353)	–	–	–	–	(353)
Credit/(charge) to profit or loss	233	129	(53)	–	490	799
At 31 December 2018 and 1 January 2019	4,744	1,195	766	15,295	5,520	27,520
Credit/(charge) to profit or loss	(478)	460	–	1,225	(736)	471
At 31 December 2019	4,266	1,655	766	16,520	4,784	27,991

At the end of the reporting period, the Group has unused tax losses of approximately RMB87,031,000 (2018: RMB130,086,000) available for offsetting against future profits that will expire in five years. Other tax losses may be carried forward indefinitely. No deferred tax asset had been recognised due to the unpredictability of future profit streams.

Apart from unutilised tax losses as mentioned above, the Group had other deductible temporary differences of RMB164,944,000 (2018: RMB166,345,000) available to offset against future profits as at 31 December 2019. Deductible temporary differences of RMB141,677,000 (2018: RMB115,652,000) had been recognised in deferred tax assets as at 31 December 2019, while RMB23,267,000 (2018: RMB50,693,000) had not been recognised as it is not probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Consolidated Financial Statements

33. DEFERRED INCOME

	2019 RMB'000	2018 RMB'000
Assets related government grants	75,090	70,192
Analysed as:		
Current liabilities	1,410	–
Non-current liabilities	73,680	70,192
	75,090	70,192

In November 2016 and July 2019, a wholly owned subsidiary of the Company, Fair Friend Henan received certain government subsidies and grants amounting to RMB61,180,000 and RMB8,647,000 respectively for its specified purpose of the usage of land. These grants will be recognised as other income in profit or loss over the lease term of the land.

Furthermore, in April 2018, Fair Friend Henan received an interest-free loan government grant with the benefit amounted to RMB9,012,000 (see note 31 for details). Up to the date of approval of these consolidated financial statements, the related construction of the plant and equipment are still under construction and thus the deferred income is not yet recognised in profit or loss.

34. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Within one year	2,646	–	2,486	–
In the second to fifth years, inclusive	1,876	–	1,784	–
	4,522	–	4,270	–
Less: Future finance charges	(252)	–	N/A	N/A
Present value of lease obligations	4,270	–	4,270	–
Less: Amount due for settlement within 12 months (shown under current liabilities)			2,486	–
Amount due for settlement after 12 months			1,784	–

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 3.

Notes to the Consolidated Financial Statements

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both the cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2019 RMB'000	Impact on initial application of HKFRS 16 (note 3) RMB'000	Restated balance at 1 January 2019 RMB'000	Cash flows RMB'000	Foreign exchange translation RMB'000	Interest expenses RMB'000	Amortisation RMB'000	Change in lease liabilities RMB'000	31 December 2019 RMB'000
Bank and other borrowings (note 31)	598,332	-	598,332	(193,517)	5,776	26,240	-	-	436,831
Deferred income (note 33)	70,192	-	70,192	8,647	-	-	(3,749)	-	75,090
Lease liabilities (note 34)	-	3,322	3,322	(2,822)	-	171	-	3,599	4,270
	668,524	3,322	671,846	(187,692)	5,776	26,411	(3,749)	3,599	516,191

	1 January 2018 RMB'000	Cash flows RMB'000	Foreign exchange translation RMB'000	Interest expenses RMB'000	Dividends recognised as distributions RMB'000	31 December 2018 RMB'000
Dividends payable (note 13)	-	(44,352)	-	-	44,352	-
Bank and other borrowings (note 31)	367,428	190,946	25,195	14,763	-	598,332
Deferred income (note 33)	61,180	9,012	-	-	-	70,192
	428,608	155,606	25,195	14,763	44,352	668,524

Note:

The financing cash flow of bank and other borrowings represents the proceeds from and repayments of bank and other borrowings and interest paid in the consolidated statement of cash flows.

Notes to the Consolidated Financial Statements

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2019 RMB'000	2018 RMB'000
Within operating cash flows	6,957	8,232

These amounts relate to the following:

	2019 RMB'000	2018 RMB'000
Lease rental paid	4,135	8,232
Payments for right-of-use assets	2,822	–
	6,957	8,232

36. PROVISION FOR LITIGATION CLAIM

- (a) In September 2015, the Group's subsidiary, Huller Hille, entered into a sales contract with an independent third party (the Customer) to sell 7 sets of high-end CNC machine tools (the Machine Tools) to the Customer, which were originally procured from FFG Werke. In October 2015, Huller Hille, Hangzhou Good Friend and the Customer entered into a supplementary agreement that Hangzhou Good Friend shall, collectively with Huller Hille, share the rights and obligations as the seller set out in the contract entered into in September 2015. The delivery of the 7 sets of Machine tools were completed by Huller Hille in 2017.

Subsequent to the delivery, the Customer raised to Huller Hille that some of the Machine Tools did not meet the product quality requirement as set out in the contract. After a few round of amendments and negotiations with the Customer, the Customer and Huller Hille still could not reach consensus on the product quality of the Machine Tools. Finally the Customer raised a litigation to the Province Higher People's Court in Anhui. On 31 August 2018, the Province Higher People's Court in Anhui issued the first-instance judgement in favour to the Customer for which the Customer shall return the 7 sets of Machine Tools to the Group and the Group shall refund and compensate the Customer in an aggregate amount of RMB161,020,000.

36. PROVISION FOR LITIGATION CLAIM *(Continued)*

(a) *(Continued)*

In October 2018, the Group then filed an appeal to the Supreme People's Court and obtained approval for second-instance. In December 2019, the court of second instance has commenced its hearing and as at the date of the approval of these consolidated financial statements, the second-instance hearing have yet been completed by the Province Higher People's Court in Anhui.

As at 31 December 2019, an aggregate bank balance of RMB62,578,000 (2018: RMB54,087,000) in Hangzhou Good Friend were being frozen by banks as the respective banks had received notice from court with regard to the litigation claim. Such bank balances was included in restricted bank balances in the consolidated financial statements.

After taking into account of the legal opinion of an independent PRC legal counsel and the current status of the litigation, the directors of the Company made their best estimation on the amount of refund to the Customer amounted to RMB100,903,000 which has been recognised as refund liabilities in the consolidated statement of financial position and the expected loss on settlement of the litigation amounted to RMB60,117,000 has been provided for under provision for litigation claim in the consolidated statement of financial position.

Furthermore, in March 2019, FFG Werke, an associate of the Group and the Group's supplier of the Machine Tools, has agreed to compensate the Group amounted to RMB72,667,000 in respect of the litigation cost and claim raised by the Customer (note 7A). Such compensation income is guaranteed for repayment by the ultimate holding company and recorded as other income in the consolidated statement of profit or loss and other comprehensive income.

- (b) In August 2019, a construction contractor (the Contractor), an independent third party, raised to Fair Friend Henan, a wholly owned subsidiary of the Group, that the payment of outstanding balance of a construction project located in Henan should be borne collectively by Fair Friend Henan and two other contracted parties. The Contractor raised a litigation to the Intermediate People's Court in Zhengzhou (the "First-instance"). On 27 August 2019, the Intermediate People's Court in Zhengzhou issued an order to freeze certain bank accounts of Fair Friend Henan and the two contracted parties up to an amount of RMB57,832,000. As at 31 December 2019, a bank balance of RMB27,000 in Fair Friend Henan was being frozen by a bank with regard to litigation claim and such balance was included as restricted bank balances in the consolidated statement of financial position.

After taking into account of the legal opinion of an independent PRC legal counsel and the current status of the litigation, the directors of the Company made their best estimation on the litigation and considered the probability of outflow of economic benefits will be required is uncertain as Fair Friend Henan is neither a contracted party nor a guarantor of the said construction project. Thus, no provision is made as at 31 December 2019. As at the date of approval of these consolidated financial statements, the First-instance is still in progress.

Notes to the Consolidated Financial Statements

37. COMMITMENTS

(a) Capital commitments

	2019 RMB'000	2018 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– Construction of plant	24,246	53,134

(b) Operating lease commitments

At the reporting date, the Group had commitments for future minimum lease payments relating to office rental under non-cancellable operating leases as follows:

	2018 RMB'000
No later than 1 year	4,764
Later than 1 year and no later than 5 years	1,481
	6,245

38. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, other price risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Foreign currency risk

The Group is mainly exposed to foreign currency risk arising from HKD, USD and EUR against RMB. This foreign currency risk arises from business transactions, assets and liabilities denominated in a currency that is not the Group functional currency of RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures.

The Group currently does not have a foreign currency hedging policy as the management of the Group considers that the foreign currency risk exposure of the Group is minimal. The Group will consider hedging significant foreign currency exposure should the need arise.

Notes to the Consolidated Financial Statements

38. FINANCIAL RISK MANAGEMENT (Continued)

(a) Foreign currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase in the functional currency of the relevant group entities against the foreign currency. 5% is the sensitivity rate used in management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates.

A positive/(negative) number below indicates an increase/(decrease) in post-tax profit and a decrease/(increase) in post-tax loss for the year where the functional currency of relevant group entities strengthening against the relevant foreign currency at 31 December 2019, for a 5% weakening of the functional currency of relevant group entities, there would be an equal and opposite impact on the post-tax (loss)/profit for the year.

	2019 RMB'000	2018 RMB'000
USD	3,412	3,127
EUR	1,146	2,461
HKD	7,253	12,510

In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year end exposure does not reflect the exposure during the year.

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed interest rate restricted bank balances and interest free other borrowings. The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on an on-going basis and will consider hedging interest rate risk should the need arises.

The Group is also exposed to cash flow interest rate risk in relation to variable interest rate bank borrowings, restricted bank balances and bank balances.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for variable interest rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year. 50 basis points (2018: 50 basis points) increase or decrease for variable interest rate bank borrowings represents management's assessment of the reasonably possible change in interest rates. Restricted bank balances and bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable interest rate restricted bank balances and bank balances is insignificant.

If interest rates had been increased/decreased by 50 basis points (2018: 50 basis points) in respect of variable interest rate bank borrowings and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2019 would increase/decrease by RMB1,677,000 (2018: post-tax loss for the year would decrease/increase by RMB2,394,000).

(c) Other price risk

The Group is exposed to other price risk through its receivables at FVTOCI. In the opinion of the directors of the Company, no sensitivity analysis is prepared for the other price risk since the impact to the Group's post-tax profit/(loss) for the year is insignificant as these receivables have short maturities.

(d) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables and contract assets) from its investing activities (primarily loans receivable) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Except for the financial guarantee issued by the Group as set out in note 41, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 41.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Credit risk *(Continued)*

Trade receivables and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group assesses individually for debtors with significant balances or credit impaired and/or collectively using a provision matrix with appropriate grouping. For collective assessment, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. ECL is estimated based on historical credit loss experience based on the past default experience of the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off trade receivables and contract assets when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default.

The operation management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The credit rating information supplied by independent rating agencies will be referenced when required. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Notes to the Consolidated Financial Statements

38. FINANCIAL RISK MANAGEMENT (Continued)

(d) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets excluding specific loss allowance for trade receivables as at 31 December 2019:

As at 31 December 2019

	Current to 30 days RMB'000	31 to 60 days RMB'000	61 to 90 days RMB'000	91 to 180 days RMB'000	Over 180 days RMB'000	Total RMB'000
ECL rate	-	-	-	1.71%	42.43%	10.10%
Total gross carrying amount	68,400	2,927	19	783	22,508	94,637
Loss allowance	-	-	-	(13)	(9,550)	(9,563)
	68,400	2,927	19	770	12,958	85,074

As at 31 December 2018

	Current to 30 days RMB'000	31 to 60 days RMB'000	61 to 90 days RMB'000	91 to 180 days RMB'000	Over 180 days RMB'000	Total RMB'000
ECL rate	0.23%	1.49%	1.89%	1.64%	47.24%	10.13%
Total gross carrying amount	111,960	537	1,375	4,752	31,371	149,995
Loss allowance	(262)	(8)	(26)	(78)	(14,821)	(15,195)
	111,698	529	1,349	4,674	16,550	134,800

The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

Movements of impairment of trade receivables of the Group in 2019 and 2018 are as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	46,931	43,151
(Reversal of impairment)/impairment loss	(2,998)	9,131
Amount written off	(4,337)	(5,351)
At 31 December	39,596	46,931

Notes to the Consolidated Financial Statements

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Credit risk *(Continued)*

Trade receivables and contract assets (Continued)

Movements of impairment of contract assets for the year ended 31 December 2019 and 2018:

	2019 RMB'000	2018 RMB'000
At 1 January	230	486
Reversal of impairment loss	(11)	(256)
At 31 December	219	230

The following table shows the Group's credit risk grading framework in respect of financial assets other than trade receivables and contract assets:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit Impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

Notes to the Consolidated Financial Statements

38. FINANCIAL RISK MANAGEMENT (Continued)

(d) Credit risk (Continued)

Other receivables and loans receivable

For other receivables and loans receivable, the Group has applied the general approach in HKFRS 9 to measure the loss allowance approximate to such at 12-month ECL, since the directors of the Company did not expect any significant increase in credit risk. Thus, no loss allowance provision is recognised.

Bank balances, restricted bank balances and receivables at FVTOCI

The bank balances, restricted bank balances and receivables at FVTOCI are determined to have low risk at the end of the reporting period. The credit risk on bank balances, restricted bank balances, and receivables at FVTOCI are limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low.

Amounts due from related parties

With reference to the liquidity position and the historical settlement patterns from the Group's fellow subsidiaries, associates of ultimate holding company, joint ventures, associates and subsidiaries of an associate, the Group has assessed that the ECL for amounts due from these related parties is insignificant. Thus, no loss allowance provision is recognised.

(e) Liquidity risk

In order to manage the liquidity risk, the Group monitors and maintains cash and cash equivalents and unused credit facilities at a level which is deemed to be adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period between the reporting date to the contractual maturity dates.

	Repayable on demand or less than 1 year RMB'000	2-5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2019				
Trade and other payables	389,300	-	389,300	389,300
Bank borrowings – variable interest rate	415,721	-	415,721	400,071
Other borrowings	-	43,522	43,522	36,760
Amount due to ultimate holding company	157	-	157	157
Amount due to immediate holding company	815	-	815	815
Amounts due to fellow subsidiaries and associates of ultimate holding company	2,457	-	2,457	2,457
Amounts due to joint ventures	380	-	380	380
Amounts due to an associate and subsidiaries of an associate	23,481	-	23,481	23,481
Financial guarantee (note)	13,091	-	13,091	-

Note:

The amount is categorised based on contractual term of repayment of the relevant underlying financial guarantee contracts guaranteed by the Group.

Notes to the Consolidated Financial Statements

38. FINANCIAL RISK MANAGEMENT (Continued)

(e) Liquidity risk (Continued)

	Repayable on demand or less than 1 year RMB'000	2-5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2018				
Trade and other payables	196,431	–	196,431	196,431
Bank borrowings – variable interest rate	579,246	–	579,246	563,239
Other borrowings	–	43,522	43,522	35,093
Amount due to ultimate holding company	638	–	638	638
Amount due to immediate holding company	2,832	–	2,832	2,832
Amounts due to joint ventures	362	–	362	362
Amounts due to fellow subsidiaries and associates of ultimate holding company	3,637	–	3,637	3,637
Amounts due to an associate and subsidiaries of an associate	28,435	–	28,435	28,435

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(f) Categories of financial instruments at 31 December 2019

	2019 RMB'000	2018 RMB'000
<i>Financial assets:</i>		
Receivables at FVTOCI – Debt instruments	101,945	106,400
Financial assets at FVTPL – Held for trading	–	108,020
Financial assets measured at amortised cost	683,849	670,927
	785,794	885,347
<i>Financial liabilities:</i>		
Financial liabilities at amortised cost	853,421	830,667

Notes to the Consolidated Financial Statements

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

(h) Transfers of financial assets

As at 31 December 2019, the Group had transferred to its suppliers by endorsing bills amounted to RMB52,986,000 (2018: RMB75,770,000).

As those bills are issued by banks with high credit rating, the management of the Group had assessed and satisfied that the Group had transferred substantially all of the risks and rewards relating to those bills. The Group had derecognised the full carrying amount of the abovementioned bills and the corresponding amount of trade payables.

39. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

Notes to the Consolidated Financial Statements

39. FAIR VALUE MEASUREMENTS (Continued)

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2019:

Recurring fair value measurements:

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31 December 2019	31 December 2018			
Receivables at FVTOCI	Receivables at FVTOCI RMB101,945,000	Receivables at FVTOCI RMB106,400,000	Level 2	Discounted cash flow method was used to capture the present value of the cash flows to be derived from the receivables.	N/A
Financial assets at FVTPL	Nil	Unlisted financial products: RMB108,020,000	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.	Forecast yield from the investment

(b) Reconciliation of assets measurement at fair value based on level 3:

The Group's financial assets at FVTPL are under level 3 fair value hierarchy. Their fair values were determined by discounted cash flows method at which the estimated future cash flows are discounted at discount interest rate that reflects the time value to the dates of settlement.

	Financial assets at FVTPL RMB'000
At 1 January 2018	76,140
Purchases	539,680
Settlements	(507,800)
At 31 December 2018 and 1 January 2019	108,020
Purchases	109,635
Settlements	(217,655)
At 31 December 2019	–

Notes to the Consolidated Financial Statements

40. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group also had the following transactions with its related parties during the year:

(a) Transactions

Name of company	Relationship	Nature of transactions	2019 RMB'000	2018 RMB'000
<i>Ultimate holding company</i>				
Fair Friend	Ultimate holding company	Sales of goods	–	711
		Purchases of goods	7,996	19,764
		Purchases of services	4,054	–
<i>Immediate holding company</i>				
Hong Kong GF	Immediate holding company	Purchases of goods	37,182	57,811
<i>Fellow subsidiaries and associates and of ultimate holding company</i>				
Ikegai (Shanghai) Machinery & Equipment Co., Ltd	Fellow subsidiary	Purchases of goods	433	1,463
Hangzhou Best Friend Technology Co., Ltd. (Best Friend)	Associate of ultimate holding company	Sales of goods	4	2
		Interest income	70	–
Hangzhou Feeler Takamatsu Machinery Co., Ltd. (Feeler Takamatsu)	Associate of ultimate holding company	Purchases of goods	–	113
		Rendering of services	1,568	1,322
		Rental income	82	68
FFG DMC Co.,Ltd. (FFG DMC)	Fellow subsidiary	Sales of goods	739	–
		Purchases of goods	3,683	–
SMS Holding Co., Inc (SMS Holding)	Fellow subsidiary	Sales of goods	80	6

Notes to the Consolidated Financial Statements

40. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

Name of company	Relationship	Nature of transactions	2019 RMB'000	2018 RMB'000
Joint ventures				
AIF	Joint venture	Sales of goods	27	43
		Purchases of goods	–	132
		Purchases of services	–	11
		Rendering of services	1,213	1,213
		Rental income	46	55
Feeler Mectron	Joint venture	Purchases of goods	–	2,802
		Rendering of services	362	198
		Rental income	53	53
Nippon Cable Feeler	Joint venture	Purchases of services	83	68
		Rendering of services	21	20
		Rental income	8	8
UFM	Joint venture	Sales of goods	3	10
		Purchases of goods	1,684	2,298
		Rendering of services	86	62
		Interest income	15	20
Associate and subsidiary of associates				
FFG Werke	Associate	Purchases of goods	–	3,511
		Compensation income	72,667	–
Jobs Automazione S.p.A. (Jobs)	Subsidiary of an associate	Purchases of goods	3,696	–
FFG Europe & Americas (Shanghai) IAS Co., Ltd. (FFG (Shanghai))	Subsidiary of an associate	Interest income	397	–

Notes:

- (a) The terms of the above sale and purchase transactions are governed based on framework agreements entered into between the Company and the respective related parties.
- (b) Rental income was charged at terms mutually agreed between the parties.

Notes to the Consolidated Financial Statements

40. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances

Name of company	Relationship	Nature of transactions	2019 RMB'000	2018 RMB'000
Ultimate holding company				
Fair Friend	Ultimate holding company	Trade payables (note (ii))	(157)	(510)
		Advance from (note (ii))	–	(128)
Represented by:				
Amount due to ultimate holding company			(157)	(638)
Immediate holding company				
Hong Kong GF	Immediate holding company	Trade payables (note (ii))	(815)	(2,832)
Fellow subsidiaries and associates of ultimate holding company				
EQUIPTOP HITECH CORP.	Fellow subsidiary	Trade payables (note (ii))	–	(144)
		Advance from (note (ii))	–	(124)
SANCO	Fellow subsidiary	Trade payables (note (ii))	(2,144)	(3,253)
Best Friend	Associate of ultimate holding company	Trade receivables (note (i))	–	1
		Other receivables (note (ii))	2,950	–
Feeler Takamatsu	Associate of ultimate holding company	Trade receivables (note (i))	151	–
		Other receivables (note (ii))	39	22

Notes to the Consolidated Financial Statements

40. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances (Continued)

Name of company	Relationship	Nature of transactions	2019 RMB'000	2018 RMB'000
FFG DMC	Fellow subsidiary	Trade receivables (note (i))	160	–
		Other receivables (note (ii))	2,931	–
		Trade payables (note (ii))	(303)	–
		Advance from (note (ii))	(10)	(116)
SMS Holding	Fellow subsidiary	Trade receivables (note (i))	17	–
Represented by:				
Amounts due from fellow subsidiaries and associates of ultimate holding company			6,248	23
Amounts due to fellow subsidiaries and associates of ultimate holding company			(2,457)	(3,637)
Joint ventures				
AIF	Joint venture	Other receivables (note (ii))	116	127
		Trade payables (note (ii))	–	(42)
Feeler Mectron	Joint venture	Trade receivables (note (i))	52	–
		Other receivables (note (ii))	19	–
		Trade payables (note (ii))	–	(33)

Notes to the Consolidated Financial Statements

40. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances (Continued)

Name of company	Relationship	Nature of transactions	2019 RMB'000	2018 RMB'000
UFM	Joint venture	Trade payables (note (ii))	(379)	(287)
		Other receivables (note (ii))	316	319
		Trade receivables (note (i))	–	6
Nippon Cable Feeler	Joint venture	Other receivables (note (ii))	9	9
		Other payables (note (ii))	(1)	–
Represented by:				
Amounts due from joint ventures			512	461
Amounts due to joint ventures			(380)	(362)
Associates and subsidiaries of an associate				
FFG Werke	Associate	Advance to (note (iii))	–	1,357
		Trade payables (note (ii))	(23,481)	(24,679)
		Other receivables (note (ii))	1,724	386
		Shareholder loan (note (ii))	38,893	20,978
		Compensation receivables (note (iii))	72,667	–

Notes to the Consolidated Financial Statements

40. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances (Continued)

Name of company	Relationship	Nature of transactions	2019 RMB'000	2018 RMB'000
FFG Europe	Associate	Other receivables (note (iii))	766	766
		Shareholder loan (note (iii))	38,073	36,089
FFG EA	Associate	Other receivables (note (ii))	7,683	54,791
Grinding technology S.r.l	Subsidiary of an associate	Other receivables (note (ii))	9,531	9,463
Jobs	Subsidiary of an associate	Other receivables (note (iii))	23,365	17,333
		Trade payables (note (ii))	–	(2,844)
		Other payables (note (ii))	–	(912)
MAG	Subsidiary of an associate	Other receivables (note (ii))	–	575
MAG IAS GmbH	Subsidiary of an associate	Other receivables (note (ii))	18,772	–
FFG (Shanghai)	Subsidiary of an associate	Other receivables (note (ii))	14,397	–

Notes to the Consolidated Financial Statements

40. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances (Continued)

Name of company	Relationship	Nature of transactions	2019 RMB'000	2018 RMB'000
Sky Thrive Rambaudi S.r.l	Subsidiary of an associate	Other receivables (note (iii))	3,227	3,239
		Shareholder loan (note (iii))	6,057	6,082
Represented by:				
Amounts due from associates and subsidiaries of an associate			235,155	151,059
Amounts due to an associate and subsidiaries of an associate			(23,481)	(28,435)

Notes:

- (i) The Group allowed a normal credit period of 30 to 180 days for sales made to the above parties. Balances are unsecured and interest free.
- (ii) Balances are unsecured, interest free and repayable on demand.
- (iii) Balances are unsecured, interest free and repayable on demand. The ultimate holding company has issued letter of guarantee to undertake for repayment of the outstanding balances to the Group should these related parties fail to meet the obligation as they fall due.

(c) Key management compensation

The remuneration of directors and other members of key management during the year were as follows:

	2019 RMB'000	2018 RMB'000
Salaries and allowances	2,265	2,090
Discretionary performance related bonus	1,252	1,427
Retirement benefit scheme contributions	68	57
	3,585	3,574

Notes to the Consolidated Financial Statements

41. FINANCIAL GUARANTEE CONTRACTS

In June 2019, the Company issued a guarantee to an independent third party for each of the payment obligations of certain associates of the Group, MAG IAS GmbH and FFG Werke under their respective purchase contracts with the independent third party with a maximum amount of EUR11,000,000 (equivalent to RMB85,971,000) and EUR2,000,000 (equivalent to RMB15,631,000) respectively. As at 31 December 2019, MAG IAS GmbH and FFG Werke have payment obligation to the independent third party with a total amount of EUR764,000 (equivalent to RMB5,971,000) and EUR911,000 (equivalent to RMB7,120,000) respectively.

The management of the Group estimates that the default risk of the abovementioned entities is low, thus the exposure to credit losses arising from these financial guarantees and their fair value is immaterial.

42. PLEDGE OF ASSETS

	2019 RMB'000	2018 RMB'000
Right-of-use assets/prepaid lease payments	82,484	87,600
Property, plant and equipment	–	7,763
Restricted bank balances for trade finance facilities	43,728	15,900
	126,212	111,263

The Group has pledged its right-of-use assets/prepaid lease payments and buildings in order to secure other borrowings of the Group. The Group also has restricted bank balances which mainly represent deposits placed in banks for guarantees issued to secure bills payable and finance facilities of the Group.

43. EVENTS AFTER THE REPORTING PERIOD

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impact on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

Notes to the Consolidated Financial Statements

44. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 RMB'000	2018 RMB'000
Non-current assets		
Investments in subsidiaries	52,840	52,837
Investments in joint ventures	27,666	27,666
Amounts due from subsidiaries	290,890	551,628
	371,396	632,131
Current assets		
Trade and other receivables and prepayment	6,683	17,859
Amounts due from associates and subsidiaries of an associate	196,319	147,430
Bank balances and cash	27,453	39,615
	230,455	204,904
Current liabilities		
Other payables and accrued charges	8,317	15,546
Amounts due to subsidiaries	309,575	3,543
Amounts due to an associate and subsidiaries of an associate	–	2,513
Amounts due to ultimate holding company	–	–
Bank borrowings	309,769	550,454
	627,661	572,056
Net current liabilities	(397,206)	(367,152)
Total assets less current liabilities	(25,810)	264,979

Approved by the Board of Directors on 12 May 2020 and are signed on its behalf by:

CHU Chih-Yaung

Director

WEN Chi-Tang

Director

Notes to the Consolidated Financial Statements

44. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	2019 RMB'000	2018 RMB'000
Capital and reserves		
Share capital	4,021	4,022
Share premium	82,183	82,281
Other reserves	59,647	7,973
(Accumulated losses)/retained earnings	(171,661)	170,703
Total equity	(25,180)	264,979

The movement of the Company's reserves for the year ended 31 December 2019 and 2018 are as follows:

	Share premium RMB'000	Other reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2018	82,281	7,973	299,305	389,559
Loss and total comprehensive expense	–	–	(84,250)	(84,250)
Dividends recognised as distribution	–	–	(44,352)	(44,352)
At 31 December 2018 and 1 January 2019	82,281	7,973	170,703	260,957
Loss and total comprehensive expense	–	51,674	(342,364)	(290,690)
Share repurchased and cancelled	(98)	–	–	(98)
At 31 December 2019	82,183	59,647	(171,661)	(29,831)

Five-Year Financial Summary

OPERATING RESULTS

For the year ended 31 December

	2015	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	990,239	1,082,336	1,294,801	1,090,693	910,695
Gross profit	267,925	295,151	312,515	290,727	209,098
Profit/(loss) before income tax	55,952	87,650	85,066	(42,730)	34,228
Profit/(loss) attributable to owners of the Company	46,097	60,749	65,690	(57,724)	12,159
Earnings/(loss) per share – basic (RMB)	0.11	0.15	0.16	(0.14)	0.03

ASSETS AND LIABILITIES

As at 31 December

	2015	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	589,531	743,761	703,361	706,420	786,085
Net current assets	154,908	121,487	185,223	115,271	34,618
Non-current liabilities	–	(61,180)	(61,180)	(105,285)	(112,224)
Net assets	744,439	804,068	827,404	716,406	708,479
Share capital	4,022	4,022	4,022	4,022	4,021
Reserves	740,417	800,046	823,382	712,384	704,458
Shareholders' equity	744,439	804,068	827,404	716,406	708,479