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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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS

The board of directors (the "Board") of Good Friend International Holdings Inc. (the "Company") presents the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**382,660**	496,105
Cost of revenue	*5*	**(294,324)**	(381,127)
Gross profit		**88,336**	114,978
Other income	*6*	**26,656**	116,262
Distribution and selling expenses		**(44,085)**	(61,824)
Administrative expenses		**(29,062)**	(29,566)
Research and development costs		**(10,600)**	(14,508)
Other gains and losses		**3,836**	3,558
Other operating expenses		**(2,022)**	(178)
Finance costs		**(9,646)**	(11,550)
Share of profit of joint ventures		**(705)**	1,317
Share of loss of associates		**(111,828)**	(80,756)

	Notes	Six months ended 30 June **2020** ***RMB'000*** **(Unaudited)**	 2019 *RMB'000* (Unaudited)
(Loss) profit before income tax	*7*	**(89,120)**	37,733
Income tax expense	*8*	**(6,167)**	(16,606)
(Loss) profit attributable to owners of the Company		**(95,287)**	21,127
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Share of other comprehensive income of associates		**(137)**	108
Items that may be reclassified to profit or loss:			
Share of other comprehensive income of associates		**(1,423)**	4,370
Exchange difference arising on translation of foreign operations		**3,260**	253
Net fair value gain on receivables at fair value through other comprehensive income ("FVTOCI")		**–**	355
		1,837	4,978
		1,700	5,086
Total comprehensive income attributable to owners of the Company		**(93,587)**	26,213
(Loss) earnings per share *(expressed in RMB per share)*			
– Basic	*9*	**(0.24)**	0.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**210,622**	218,344
Right-of-use assets		**123,985**	124,371
Intangible assets		**1,113**	1,407
Investments in joint ventures		**20,941**	21,646
Investments in associates	*11*	**282,198**	392,326
Deferred tax assets		**27,438**	27,991
		666,297	786,085
Current assets			
Inventories		**462,177**	493,053
Trade and other receivables and prepayments	*12*	**303,341**	227,096
Contract assets		**52,314**	44,399
Loans receivable		**49,295**	48,394
Receivables at FVTOCI		**116,947**	101,945
Amount due from ultimate holding company		**2,645**	–
Amount due from fellow subsidiaries and associates of ultimate holding company		**475**	6,248
Amounts due from joint ventures		**567**	512
Amounts due from associates and subsidiaries of associates		**344,104**	235,155
Restricted bank balances		**111,464**	106,333
Bank and cash balances		**79,295**	74,860
		1,522,624	1,337,995

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Current liabilities			
Trade and other payables and accrued expenses	*13*	**401,658**	389,300
Contract liabilities		**336,898**	300,336
Deferred income		**1,410**	1,410
Amount due to ultimate holding company		**1,077**	157
Amount due to immediate holding company		**15,870**	815
Amounts due to fellow subsidiaries and associates of ultimate holding company		**2,168**	2,457
Amounts due to joint ventures		**414**	380
Amounts due to an associate and subsidiaries of an associate		**19,583**	23,481
Lease liabilities		**3,163**	2,486
Provision for litigation claim		**60,117**	60,117
Refund liabilities		**100,903**	100,903
Current tax liabilities		**21,147**	17,445
Bank borrowings		**495,217**	400,071
Warranty provision		**3,509**	4,019
		1,463,134	1,303,377
Net current assets		**59,490**	34,618
Total assets less current liabilities		**725,787**	820,703
Non-current liabilities			
Lease liabilities		**2,156**	1,784
Other borrowings		**36,760**	36,760
Deferred income		**71,979**	73,680
		110,895	112,224
Net assets		**614,892**	708,479
Capital and Reserves			
Share capital		**4,021**	4,021
Share premium		**82,183**	82,183
Capital reserves		**77,338**	77,338
Other reserves		**68,291**	66,454
Retained earnings		**383,059**	478,483
Total equity		**614,892**	708,479

NOTES:

1. GENERAL INFORMATION

Good Friend International Holdings Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") are engaged in the design and production of computer numerical control machine tools, three dimensional car parking garage structures and forklift trucks.

The Company was incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 11 January 2006. In addition, 67,200,000 units of Taiwan depositary receipts, representing 67,200,000 newly issued shares of the Company, were issued and listed on the Taiwan Stock Exchange Corporation (the "Taiwan Stock Exchange") on 18 March 2010. Good Friend (H.K.) Corporation Limited, 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.

These condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company. These condensed consolidated financial statements were approved for issue by the Board of Directors on 28 August 2020.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. PRINCIPAL ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8, *Definition of Material*

None of these 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.

4. REVENUE FROM GOODS

Disaggregation of revenue

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Machine tools	**293,710**	409,201
Parking garage structures	**74,945**	52,031
Forklift trucks	**14,005**	34,873
	382,660	496,105

5. 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 reportable segments: (1) machine tools, (2) parking garage structures, and (3) forklift trucks.

The Executive Directors assess the performance of the operating segments based on their respective gross profit, which is consistent with that in the condensed consolidated financial statements.

The Group does not allocate distribution and selling expenses, administrative expenses, other operating expenses or assets 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 profit and total assets for each reportable segment.

	Machine Tools *RMB'000*	Parking Garage Structures *RMB'000*	Forklift Trucks *RMB'000*	Total Group *RMB'000*
Six months ended 30 June 2020 (unaudited)				
Revenue (all from external sales)	**293,710**	**74,945**	**14,005**	**382,660**
Cost of revenue	**(219,472)**	**(60,979)**	**(13,873)**	**(294,324)**
Segment profit	**74,238**	**13,966**	**132**	**88,336**

	Machine Tools *RMB'000*	Parking Garage Structures *RMB'000*	Forklift Trucks *RMB'000*	Total Group *RMB'000*
Six months ended 30 June 2019 (unaudited)				
Revenue (all from external sales)	409,201	52,031	34,873	496,105
Cost of revenue	(301,383)	(46,303)	(33,441)	(381,127)
Segment profit	107,818	5,728	1,432	114,978

Majority of the Group's operations and assets are located in the PRC and the Group mainly sells products to the PRC market.

Segment assets and liabilities

No segment assets and liabilities information is provided as no such information is regularly provided to the Executive Directors on making decision for resources allocation and performance assessment.

6. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Compensation income from an associate, FFG Werke GmbH	**–**	80,437
Sales of raw materials	**2,341**	3,362
Government subsidies related to income*	**6,006**	12,488
Repair income	**969**	3,306
Rental income	**621**	766
Interest income	**2,174**	1,027
Consultancy income	**8,368**	11,046
Processing income	**5,522**	–
Others	**655**	3,830
	26,656	116,262

* *Government subsidies mainly represent the refund of value-added tax in relation to software embedded in the sales of machine tools. These subsidies are accounted for as immediate financial support with neither future related costs expected to be incurred nor related to any assets.*

7. (LOSS) PROFIT BEFORE INCOME TAX

(Loss) profit before income tax has been arrived at after charging (crediting):

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of right-of-use assets	**3,248**	2,854
Depreciation of property, plant and equipment	**8,511**	10,159
Amortisation of intangible assets	**295**	422
Total depreciation and amortization	**12,054**	13,435
Capitalised in inventories	**(4,239)**	(4,975)
	7,815	8,460
Analysed as:		
Charged in selling expense	**571**	571
Charged in administrative expenses	**5,644**	5,879
Charged in other expenses	**1,358**	1,651
Charged in research expenditure	**242**	359
	7,815	8,460
Cost of inventories recognised as an expense	**294,324**	381,127
Net write-down of inventories	**1,253**	793
Net loss on disposal of property, plant and equipment	**40**	4
Net exchange loss (gain)	**1,889**	(1,981)
Provision for warranty	**1,151**	1,599
Direct operating expenses incurred for rental income	**288**	313

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current Enterprise Income Tax ("EIT")	**7,223**	14,530
Deferred tax (charge) credit	**(1,056)**	2,076
	6,167	16,606

No provision for Cayman Islands profits tax has been made as the Group did not have any assessable profit arising in Cayman Islands for both periods.

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profit arising in Hong Kong for both periods.

EIT is provided at 25% for enterprises in the PRC except for Hangzhou Good Friend Precision Machinery Co., Ltd. ("Hangzhou Good Friend"). Hangzhou Good Friend renewed its New and High-Tech Enterprise status in 2019, which was approved by the relevant government authorities, and it is entitled to a reduced tax rate of 15% for a three-year period commencing from 2019. Accordingly, the applicable tax rate for Hangzhou Good Friend for the current period under review is 15% (six months ended 30 June 2019: 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%.

In the current interim period, 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.

9. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share is calculated by dividing the loss attributable to owners of the Company amounted to RMB95,287,000 (six months period ended 30 June 2019: profit attributable to owners of the Company amounted to RMB21,127,000) by the number of ordinary shares in issue during the period of 403,074,000 shares (six months period ended 30 June 2019: 403,200,000 shares).

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Basic (loss) earnings per share *(RMB per share)*	**(0.24)**	0.05

No diluted (loss) earnings per share was presented as there were no potential dilutive ordinary shares in issue for both periods.

10. DIVIDENDS

During the current interim period, no dividend in respect of the year ended 31 December 2019 (six months ended 30 June 2019: Nil) was declared and paid to the owners of the Company.

No dividend was paid, declared or proposed during the current interim period. The directors of the Company have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2019: Nil).

11. INVESTMENTS IN ASSOCIATES

	As at	
	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost of unlisted investments in associates	**556,380**	556,380
Share of post-acquisition losses and other comprehensive income	**(305,237)**	(191,849)
Exchange difference arising on translation of foreign operations	**31,055**	27,795
	282,198	392,326

The Group's share of the results in associates for the six months ended 30 June 2020 and 2019 and the aggregate assets and liabilities of the associates as at 30 June 2020 and 2019 are shown below:

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Assets	**3,587,680**	4,041,452
Liabilities	**2,849,831**	3,452,699
Share of loss	**(111,828)**	(80,756)
Share of other comprehensive income*	**(1,560)**	4,478

* *The share of other comprehensive income represents the aggregate of the share of exchange differences on translation of foreign operations of RMB(1,423,000) (2019: RMB4,370,000) and the re-measurement gains on defined benefit plans of RMB(137,000) (2019: RMB108,000).*

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**254,744**	225,452
Less: provision for impairment of trade receivables	**(35,759)**	(39,596)
	218,985	185,856
Prepayments	**43,278**	14,749
Other receivables	**41,078**	26,491
Total trade and other receivables and prepayments	**303,341**	227,096

The Group normally granted credit terms of 30 to 180 days to its customers.

The aging analysis of gross trade receivables based on past due date is as follows:

	As at	
	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current – 30 days	**63,433**	21,541
31 – 60 days	**23,553**	18,300
61 – 90 days	**8,908**	14,376
91 – 180 days	**2,855**	23,947
Over 180 days	**120,236**	107,692
	218,985	185,856

13. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	As at	
	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**171,001**	162,885
Bills payable	**169,429**	150,144
Other payables	**37,403**	32,152
Accrued expenses	**23,825**	44,119
Total trade and other payables and accrued expenses	**401,658**	389,300

The Group normally received credit terms of 30 to 60 days from its suppliers. The aging analysis of trade payables and bills payable presented based on maturity date is as follows:

	As at	
	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current – 30 days	**67,468**	54,647
31 – 60 days	**34,796**	47,414
61 – 90 days	**39,831**	45,400
91 – 180 days	**145,947**	73,700
Over 180 days	**52,388**	91,868
	340,430	313,029

MANAGEMENT DISCUSSION AND ANALYSIS

The novel coronavirus disease (COVID-19) pandemic in the first half of 2020 ravaged the global economy as a whole. Due to the effective and efficient measures taken by the Chinese government, the situation of pandemic prevention and control were continuously improved, along with the orderly promotion of resumption of work and production. The overall economy of China is showing steady recovery. According to the data released by the National Bureau of Statistics of China, China's gross domestic product (GDP) reached its bottom in the first quarter of 2020 while the GDP grew by a year-on-year rate of 3.2% in the second quarter of 2020. The economic growth has reversed from negative to positive.

Financial Review

Revenue

For the six months ended 30 June 2020, the Group recorded revenue of approximately RMB382.66 million, representing a decrease of approximately 22.9% as compared to the corresponding period in 2019. During the period under review, sales revenue of CNC machine tools business amounted to approximately RMB293.71 million, representing a decrease of 28.2% as compared to the corresponding period in last year. Revenue of CNC machine tools accounted for approximately 76.8% of the Group's total revenue. On the other hand, sales revenue of the Group's forklift trucks business during the period under review was decreased by 59.8%, as compared to corresponding period in last year, to approximately RMB14.00 million and approximately 3.7% of the Group's total revenue. Moreover, sales revenue of parking garage structures amounted to approximately RMB74.95 million during the period under review, representing an increase of approximately 44.1% as compared to corresponding period in last year and accounted for approximately 19.5% of the total revenue.

Gross profit and margin

During the period under review, gross profit of the Group amounted to approximately RMB88.34 million. Overall gross profit margin was approximately 23.1%, which remained fairly stable when compared with the corresponding period in last year.

Distribution and selling expenses

Distribution and selling expenses for the six months ended 30 June 2020 amounted to approximately RMB44.09 million, representing a decrease of 28.7% as compared to corresponding period in last year. This was mainly attributable to the stringent control of the expenses by the management. During the period under review, distribution and selling expenses as a percentage of the Group's revenue was approximately 11.5%, compared to 12.5% for the corresponding period in last year.

Administrative expenses

Administrative expenses decreased by approximately 1.7% to approximately RMB29.06 million during the period under review.

Finance costs

During the period under review, finance costs decreased to approximately RMB9.65 million. This was primarily due to the decrease of bank borrowings interest rates during the period under review.

Share of loss of associates

For the six months ended 30 June 2020, share of loss of associates amounted to approximately RMB111.83 million (2019 comparative figures: share of loss of approximately RMB80.76 million). The amount represented the Group's share of results of the associate located in Germany for the period under review.

Loss attributable to owners of the Company

For the six months ended 30 June 2020, loss attributable to owners of the Company amounted to approximately RMB95.29 million. For the six months ended 30 June 2019, profit attributable to owners of the Company amounted to approximately RMB21.13 million.

Prospects

At the beginning of 2020, the COVID-19 pandemic had brought about unprecedented challenges on the production and operation of the Group. With the gains achieved by the Chinese government adopting various strict prevention and control policies coupled with the effective business strategies adopted by the Group, the business conditions continued to improve. The overall business performance of the Group in the second quarter of this year notably recovered from that in the first quarter. Though the Group recorded loss during the period under review which was due to the share of loss of associates located in Germany, the share of loss of associates is a non-cash item and hence there will be no effect on the operating cash flow of the Group. Moreover, before including this item, the Group recorded a profit before tax of approximately RMB22.71 million for the six months ended 30 June 2020 under this tough operating environment. The management considers that the overall financial position of the Group remain solid.

Looking ahead, the macro-environment remains uncertainty under the continued US-China tensions and lingering COVID-19 pandemic in the second half of 2020. The Chinese government unveiled its clear objective of implementation of the tasks of "six stables" and "six guarantees". The China's economy is expected to improve steadily under this strategy. The Group will keep close track of the global economic trend and market situation in order to capture business opportunities and reduce operation risks. On the other hand, the management will continue to control operating costs for achieving better operating results of the Group. The management is optimistic on the long-term development prospects of the Group.

Liquidity and financial resources

The working capital of the Group was mainly financed by internal cash flows generated from its operation and its existing banking facilities. As at 30 June 2020, the Group's bank and cash balances amounted to approximately RMB79.30 million (at 31 December 2019: RMB74.86 million). As at 30 June 2020, the Group had net current assets of approximately RMB59.49 million (at 31 December 2019: RMB34.62 million) and short-term bank borrowings of approximately RMB495.22 million (at 31 December 2019: RMB400.07 million). The current ratio (total current assets to total current liabilities) of the Group as at 30 June 2020 was approximately 1.0 (at 31 December 2019: 1.0). The gearing ratio as at 30 June 2020 (total interest bearing liabilities to total assets) was approximately 22.6% (at 31 December 2019: 18.8%), indicated that the Group's overall financial position remained solid.

Capital structure

The share capital of the Company as at 30 June 2020 was HK$4,030,740 divided into 403,074,000 shares of HK$0.01 each (at 31 December 2019: HK$4,030,740 divided into 403,074,000 shares of HK$0.01 each).

Staff and remuneration policies

As at 30 June 2020, the Group employed a total of approximately 1,010 full time employees (31 December 2019: 1,080) in Hong Kong and the PRC. The Group's emolument policies are formulated on the basis of market trends, future plans and the performance of individuals, which will be reviewed periodically. Apart from provident fund scheme and state-managed social welfare scheme, share options (if any) may also be awarded to employees according to assessment of individuals' performance.

Capital commitments and contingencies

As at 30 June 2020, the Group had capital expenditure commitments mainly for construction of buildings of approximately RMB24.04 million (at 31 December 2019: RMB24.25 million) which were contracted but not provided in the financial statements. The Group had no material contingent liabilities as at 30 June 2020 (at 31 December 2019: Nil).

Charges on the group's assets

As at 30 June 2020, the Group had restricted bank balances of approximately RMB111.46 million (at 31 December 2019: RMB106.33 million).

A subsidiary of the Company had pledged their land use rights and building with an aggregate carrying amount of RMB86.34 million (31 December 2019: RMB82.48 million) as at 30 June 2020 in order to secure other borrowings granted to the Group.

Interim dividend

The Directors resolved not to declare an interim dividend for the six months ended 30 June 2020 (2019 interim dividend: Nil).

Purchase, redemption or sale of listed securities of the Company

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2020.

Model code for securities transactions by directors

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the period under review.

Corporate governance

The Company has complied with the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2020 except the following.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board, Mr. Chu Chih-Yaung, was unable to attend the annual general meeting of the Company held on 30 June 2020 due to business trip. Mr. Koo Fook Sun, Louis, an independent non-executive Director of the Company, took the chair of the annual general meeting pursuant to the Articles of Association of the Company.

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.

Audit committee

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code which comprises three independent non-executive Directors, namely Mr. Koo Fook Sun, Louis (as chairman), Mr. Yu Yu-Tang and Mr. Kao Wen-Cheng. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee has reviewed the unaudited financial results of the Group for the six months ended 30 June 2020.

By order of the Board
Good Friend International Holdings Inc.
Chu Chih-Yaung
Chairman

Hong Kong, 28 August 2020

As at the date of this announcement, the Board of the Company comprises (i) three executive Directors, namely Mr. Chu Chih-Yaung, Mr. Chen Min-Ho and Mr. Wen Chi-Tang; and (ii) three independent non-executive Directors, namely Mr. Koo Fook Sun, Louis, Mr. Yu Yu-Tang and Mr. Kao Wen-Cheng.