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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 2021

#### 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 2021 together with the comparative figures for the corresponding period in 2020.

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

|  | Notes | Six months ended 30 June |             |
|--|-------|--------------------------|-------------|
|  |       | 2021                     | 2020        |
|  |       | RMB'000                  | RMB'000     |
|  |       | (Unaudited)              | (Unaudited) |
| Revenue  | 4     | 472,756                  | 382,660     |
| Cost of revenue  | 5     | (365,250)                | (294,324)   |
| Gross profit   |       | 107,506                  | 88,336      |
| Other income   | 6     | 26,747                   | 26,656      |
| Distribution and selling expenses                                    |       | (49,567)                 | (44,085)    |
| Administrative expenses  |       | (28,488)                 | (29,062)    |
| Research and development costs                                       |       | (19,665)                 | (10,600)    |
| Reversal of impairment loss on trade receivables and contract assets |       | 2,605                    | –           |
| Other gains and losses   |       | (2,745)                  | 3,836       |
| Other operating expenses   |       | –                        | (2,022)     |
| Finance costs  |       | (7,590)                  | (9,646)     |
| Share of loss of joint ventures                                      |       | (384)                    | (705)       |
| Share of loss of associates  |       | (61,243)                 | (111,828)   |

|  |              | <b>Six months ended 30 June</b> |                       |
|--|--------------|---------------------------------|-----------------------|
|  |              | <b>2021</b>                     | <b>2020</b>           |
|  | <i>Notes</i> | <b><i>RMB'000</i></b>           | <b><i>RMB'000</i></b> |
|  |              | <b>(Unaudited)</b>              | <b>(Unaudited)</b>    |
| Loss before income tax   | 7            | <b>(32,824)</b>                 | (89,120)              |
| Income tax expense   | 8            | <b>(6,999)</b>                  | (6,167)               |
|  |              | <u>          </u>               | <u>          </u>     |
| Loss attributable to owners of the Company                           |              | <b>(39,823)</b>                 | (95,287)              |
| <b>Other comprehensive income:</b>                                   |              |                                 |                       |
| <b><i>Items that will not be reclassified to profit or loss:</i></b> |              |                                 |                       |
| Share of other comprehensive income of associates                    |              | <b>44</b>                       | (137)                 |
|  |              | <u>          </u>               | <u>          </u>     |
| <b><i>Items that may be reclassified to profit or loss:</i></b>      |              |                                 |                       |
| Share of other comprehensive income of associates                    |              | <b>7,391</b>                    | (1,423)               |
| Exchange difference arising on translation of foreign operations     |              | <b>(19,420)</b>                 | 3,260                 |
|  |              | <u>          </u>               | <u>          </u>     |
|  |              | <b>(12,029)</b>                 | 1,837                 |
|  |              | <u>          </u>               | <u>          </u>     |
|  |              | <b>(11,985)</b>                 | 1,700                 |
|  |              | <u>          </u>               | <u>          </u>     |
| Total comprehensive income attributable to owners of the Company     |              | <b>(51,808)</b>                 | (93,587)              |
|  |              | <u>          </u>               | <u>          </u>     |
| Loss per share ( <i>expressed in RMB per share</i> )                 |              |                                 |                       |
| – Basic  | 9            | <b>(0.10)</b>                   | (0.24)                |
|  |              | <u>          </u>               | <u>          </u>     |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

|  |              | <b>30 June</b>     | 31 December      |
|--|--------------|--------------------|------------------|
|  |              | <b>2021</b>        | 2020             |
|  | <i>Notes</i> | <b>RMB'000</b>     | <b>RMB'000</b>   |
|  |              | <b>(Unaudited)</b> | <b>(Audited)</b> |
| <b>Non-current assets</b>  |              |                    |                  |
| Property, plant and equipment  |              | <b>195,492</b>     | 204,098          |
| Right-of-use assets  |              | <b>121,205</b>     | 122,251          |
| Intangible assets  |              | <b>3,044</b>       | 1,047            |
| Investments in joint ventures  |              | <b>21,877</b>      | 22,261           |
| Investments in associates  | <i>11</i>    | <b>15,046</b>      | 88,274           |
| Deferred tax assets  |              | <b>27,738</b>      | 28,551           |
|  |              | <b>384,402</b>     | 466,482          |
| <b>Current assets</b>  |              |                    |                  |
| Inventories  |              | <b>399,810</b>     | 431,164          |
| Trade and other receivables and prepayments                                    | <i>12</i>    | <b>207,680</b>     | 166,688          |
| Contract assets  |              | <b>69,077</b>      | 52,653           |
| Loans receivable   |              | <b>47,593</b>      | 49,691           |
| Receivables at FVTOCI  |              | <b>108,311</b>     | 120,105          |
| Amount due from ultimate holding company                                       |              | <b>3,824</b>       | 1,008            |
| Amount due from immediate holding company                                      |              | <b>136</b>         | 8                |
| Amount due from fellow subsidiaries and associates of ultimate holding company |              | <b>30,299</b>      | 28,087           |
| Amounts due from joint ventures  |              | <b>455</b>         | 644              |
| Amounts due from associates and subsidiaries of associates                     |              | <b>397,479</b>     | 370,849          |
| Restricted bank balances   |              | <b>68,089</b>      | 139,426          |
| Bank and cash balances   |              | <b>40,031</b>      | 104,014          |
|  |              | <b>1,372,784</b>   | 1,464,337        |

|   |              | <b>30 June<br/>2021</b> | 31 December<br>2020   |
|---|--------------|-------------------------|-----------------------|
|   | <i>Notes</i> | <b><i>RMB'000</i></b>   | <b><i>RMB'000</i></b> |
|   |              | <b>(Unaudited)</b>      | <b>(Audited)</b>      |
| <b>Current liabilities</b>                    |              |                         |                       |
| Trade and other payables and accrued expenses | 13           | 439,630                 | 471,137               |
| Contract liabilities                          |              | 343,685                 | 260,711               |
| Deferred income                               |              | 1,410                   | 1,410                 |
| Amount due to ultimate holding company        |              | 153                     | 1,503                 |
| Amount due to immediate holding company       |              | 15,599                  | 15,627                |
| Amounts due to fellow subsidiaries            |              | 1,985                   | 2,005                 |
| Amounts due to joint ventures                 |              | 437                     | 517                   |
| Amounts due to an associate                   |              | 22,886                  | 24,111                |
| Lease liabilities                             |              | 2,431                   | 2,623                 |
| Provision for litigation claim                |              | –                       | 36,335                |
| Refund liabilities                            |              | –                       | 106,211               |
| Current tax liabilities                       |              | 23,087                  | 25,272                |
| Bank and other borrowings                     |              | 397,368                 | 423,814               |
| Warranty provision                            |              | 3,413                   | 3,409                 |
|   |              | <u>1,252,084</u>        | <u>1,374,685</u>      |
| <b>Net current assets</b>                     |              | <u>120,700</u>          | <u>89,652</u>         |
| <b>Total assets less current liabilities</b>  |              | <u>505,102</u>          | <u>556,134</u>        |
| <b>Non-current liabilities</b>                |              |                         |                       |
| Other borrowings                              |              | 39,421                  | 38,506                |
| Deferred income                               |              | 71,565                  | 72,270                |
| Lease liabilities                             |              | 3,055                   | 2,489                 |
|   |              | <u>114,041</u>          | <u>113,265</u>        |
| <b>Net assets</b>                             |              | <u><u>391,061</u></u>   | <u><u>442,869</u></u> |
| <b>Capital and Reserves</b>                   |              |                         |                       |
| Share capital                                 |              | 4,021                   | 4,021                 |
| Share premium                                 |              | 82,183                  | 82,183                |
| Capital reserves                              |              | 77,338                  | 77,338                |
| Other reserves                                |              | 41,173                  | 53,202                |
| Retained earnings                             |              | 186,346                 | 226,125               |
| <b>Total equity</b>                           |              | <u><u>391,061</u></u>   | <u><u>442,869</u></u> |

## 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 31 August 2021.

### 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 2020, 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

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              |                                       |
|---------------------------|---------------------------------------|---------------------------------------|
|                           | 2021<br><i>RMB'000</i><br>(Unaudited) | 2020<br><i>RMB'000</i><br>(Unaudited) |
| Machine tools             | 410,684                               | 293,710                               |
| Parking garage structures | 62,072                                | 74,945                                |
| Forklift trucks           | –                                     | 14,005                                |
|                           | <u>472,756</u>                        | <u>382,660</u>                        |

#### 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<br>Tools<br><i>RMB'000</i> | Parking<br>Garage<br>Structures<br><i>RMB'000</i> | Forklift<br>Trucks<br><i>RMB'000</i> | Total<br>Group<br><i>RMB'000</i> |
|--------------------------------------|------------------------------------|---|--------------------------------------|----------------------------------|
| <b>Six months ended 30 June 2021</b> |                                    |   |                                      |                                  |
| <b>(unaudited)</b>                   |                                    |   |                                      |                                  |
| Revenue (all from external sales)    | 410,684                            | 62,072  | –                                    | 472,756                          |
| Cost of revenue                      | (309,607)                          | (54,789)  | (854)                                | (365,250)                        |
| Segment profit                       | <u>101,077</u>                     | <u>7,283</u>                                      | <u>(854)</u>                         | <u>107,506</u>                   |
|                                      | Machine<br>Tools<br><i>RMB'000</i> | Parking<br>Garage<br>Structures<br><i>RMB'000</i> | Forklift<br>Trucks<br><i>RMB'000</i> | Total<br>Group<br><i>RMB'000</i> |
| <b>Six months ended 30 June 2020</b> |                                    |   |                                      |                                  |
| <b>(unaudited)</b>                   |                                    |   |                                      |                                  |
| 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                       | <u>74,238</u>                      | <u>13,966</u>                                     | <u>132</u>                           | <u>88,336</u>                    |

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

|   | <b>Six months ended 30 June</b> |                       |
|---|---------------------------------|-----------------------|
|   | <b>2021</b>                     | <b>2020</b>           |
|   | <b><i>RMB'000</i></b>           | <b><i>RMB'000</i></b> |
|   | <b>(Unaudited)</b>              | <b>(Unaudited)</b>    |
| Sales of raw materials                  | 3,532                           | 2,341                 |
| Government subsidies related to income* | 12,386                          | 6,006                 |
| Repair income                           | 7,669                           | 6,491                 |
| Rental income                           | 437                             | 621                   |
| Interest income                         | 1,323                           | 2,174                 |
| Consultancy income                      | –                               | 8,368                 |
| Others                                  | 1,400                           | 655                   |
|   | <u>26,747</u>                   | <u>26,656</u>         |

\* *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 BEFORE INCOME TAX

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

|  | Six months ended 30 June              |                                       |
|--|---------------------------------------|---------------------------------------|
|  | 2021<br><i>RMB'000</i><br>(Unaudited) | 2020<br><i>RMB'000</i><br>(Unaudited) |
| Depreciation of right-of-use assets                                  | 2,885                                 | 3,248                                 |
| Depreciation of property, plant and equipment                        | 8,195                                 | 8,511                                 |
| Amortisation of intangible assets                                    | 497                                   | 295                                   |
|  | <hr/>                                 | <hr/>                                 |
| Total depreciation and amortization                                  | 11,577                                | 12,054                                |
| Capitalised in inventories   | (4,074)                               | (4,239)                               |
|  | <hr/>                                 | <hr/>                                 |
|  | 7,503                                 | 7,815                                 |
|  | <hr/>                                 | <hr/>                                 |
| Analysed as:   |                                       |                                       |
| Charged in selling expense   | 435                                   | 571                                   |
| Charged in administrative expenses                                   | 6,095                                 | 5,644                                 |
| Charged in other expenses  | 645                                   | 1,358                                 |
| Charged in research expenditure                                      | 328                                   | 242                                   |
|  | <hr/>                                 | <hr/>                                 |
|  | 7,503                                 | 7,815                                 |
|  | <hr/>                                 | <hr/>                                 |
| Cost of inventories recognised as an expense                         | 345,370                               | 294,324                               |
| Net (reversal of inventories written off)/written off of inventories | (193)                                 | 1,253                                 |
| Net loss on disposal of property, plant and equipment                | 61                                    | 40                                    |
| Net exchange loss  | 2,745                                 | 1,889                                 |
| Provision for warranty   | 2,503                                 | 1,151                                 |
|  | <hr/> <hr/>                           | <hr/> <hr/>                           |



## 8. INCOME TAX EXPENSE

|                                       | Six months ended 30 June |                     |
|---------------------------------------|--------------------------|---------------------|
|                                       | 2021                     | 2020                |
|                                       | <i>RMB'000</i>           | <i>RMB'000</i>      |
|                                       | (Unaudited)              | (Unaudited)         |
| Current Enterprise Income Tax (“EIT”) | 8,103                    | 7,223               |
| Deferred tax (charge) credit          | <u>(1,104)</u>           | <u>(1,056)</u>      |
|                                       | <b><u>6,999</u></b>      | <b><u>6,167</u></b> |

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 2020, 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 2020. Accordingly, the applicable tax rate for Hangzhou Good Friend for the current period under review is 15% (six months ended 30 June 2020: 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 PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company amounted to RMB39,823,000 (six months period ended 30 June 2020: loss attributable to owners of the Company amounted to RMB95.29 million) by the number of ordinary shares in issue during the period of 403,074,000 shares (six months period ended 30 June 2020: 403,074,000 shares).

|   | Six months ended 30 June |                     |
|---|--------------------------|---------------------|
|   | 2021<br>(Unaudited)      | 2020<br>(Unaudited) |
| Basic loss per share ( <i>RMB per share</i> ) | <u>(0.10)</u>            | <u>(0.24)</u>       |

No diluted loss 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 2020 (six months ended 30 June 2020: 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 2020: Nil).

## 11. INVESTMENTS IN ASSOCIATES

|  | As at  |  |
|--|--|--|
|  | 30 June<br>2021<br><i>RMB'000</i><br>(Unaudited) | 31 December<br>2020<br><i>RMB'000</i><br>(Audited) |
| Cost of unlisted investments in associates                       | 556,380  | 556,380  |
| Share of post-acquisition losses and other comprehensive income  | (562,445)  | (508,637)  |
| Exchange difference arising on translation of foreign operations | <u>21,111</u>                                    | <u>40,531</u>                                      |
|  | <u>15,046</u>                                    | <u>88,274</u>                                      |

The Group's share of the results in associates for the six months ended 30 June 2021 and 2020 and the aggregate assets and liabilities of the associates as at 30 June 2021 and 2020 are shown below:

|                                      | <b>2021</b><br><b>RMB'000</b><br><b>(Unaudited)</b> | 2020<br><b>RMB'000</b><br><b>(Unaudited)</b> |
|--------------------------------------|---|--|
| Assets                               | <b>3,059,415</b>                                    | 3,587,680                                    |
| Liabilities                          | <b>2,835,785</b>                                    | 2,849,831                                    |
| Share of loss                        | <b>(61,243)</b>                                     | (111,828)                                    |
| Share of other comprehensive income* | <b>7,435</b>  | (1,560)                                      |

\* *The share of other comprehensive income represents the aggregate of the share of exchange differences on translation of foreign operations of RMB7,391,000 (2020: RMB(1,423,000)) and the re-measurement gains on defined benefit plans of RMB44,000 (2020: RMB(137,000)).*

## 12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

|  | <b>As at</b>  |   |
|--|---|---|
|  | <b>30 June</b><br><b>2021</b><br><b>RMB'000</b><br><b>(Unaudited)</b> | 31 December<br>2020<br><b>RMB'000</b><br><b>(Audited)</b> |
| Trade receivables  | <b>174,048</b>  | 168,234   |
| <i>Less: provision for impairment of trade receivables</i> | <b>(27,900)</b>   | (39,846)  |
|  | <b>146,148</b>  | 128,388   |
| Prepayments  | <b>19,443</b>   | 11,224  |
| Other receivables  | <b>42,089</b>   | 27,076  |
| Total trade and other receivables and prepayments          | <b>207,680</b>  | 166,688   |

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<br>2021<br><i>RMB'000</i><br>(Unaudited) | 31 December<br>2020<br><i>RMB'000</i><br>(Audited) |
| 0 – 30 days   | 21,268   | 16,127   |
| 31 – 60 days  | 14,153   | 11,620   |
| 61 – 90 days  | 1,799  | 1,631  |
| 91 – 180 days | 24,261   | 21,304   |
| Over 180 days | 84,667   | 77,706   |
|               | <u>146,148</u>                                   | <u>128,388</u>                                     |

### 13. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

|                  | As at  |  |
|------------------|--|--|
|                  | 30 June<br>2021<br><i>RMB'000</i><br>(Unaudited) | 31 December<br>2020<br><i>RMB'000</i><br>(Audited) |
| Trade payables   | 160,145  | 154,431  |
| Bills payable    | 218,909  | 233,382  |
| Other payables   | 34,724   | 43,719   |
| Accrued expenses | 25,852   | 39,605   |
|                  | <u>439,630</u>                                   | <u>471,137</u>                                     |

The Group normally received credit terms of 30 to 90 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<br>2021<br><i>RMB'000</i><br>(Unaudited) | 31 December<br>2020<br><i>RMB'000</i><br>(Audited) |
| 0 – 30 days   | 98,796   | 100,386  |
| 31 – 60 days  | 75,348   | 78,736   |
| 61 – 90 days  | 69,413   | 68,407   |
| 91 – 180 days | 119,216  | 118,333  |
| Over 180 days | 16,281   | 21,951   |
|               | <u>379,054</u>                                   | <u>387,813</u>                                     |

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The pandemic was effectively controlled in China and the economy recovered steadily in the first half of 2021. According to the data released by the National Bureau of Statistics of China, China's gross domestic product (GDP) grew by a year-on-year rate of 12.7% in the first half of 2021.

### **Financial Review**

#### ***Revenue***

For the six months ended 30 June 2021, the Group recorded revenue of approximately RMB472.76 million, representing an increase of approximately 23.5% as compared to the corresponding period in 2020. During the period under review, sales revenue of CNC machine tools business amounted to approximately RMB410.69 million, representing an increase of 39.8% as compared to the corresponding period in last year. Revenue of CNC machine tools accounted for approximately 86.9% of the Group's total revenue. On the other hand, the Group had no sales to customers in respect of its forklift trucks business. Moreover, sales revenue of parking garage structures amounted to approximately RMB62.07 million during the period under review, representing a decrease of approximately 17.2% as compared to corresponding period in last year and accounted for approximately 13.1% of the total revenue.

#### **Gross profit and margin**

During the period under review, gross profit of the Group amounted to approximately RMB107.51 million. Overall gross profit margin was approximately 22.7%, 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 2021 amounted to approximately RMB49.57 million, representing an increase of 12.4% as compared to corresponding period in last year. During the period under review, distribution and selling expenses as a percentage of the Group's revenue was approximately 10.5%, compared to 11.5% for the corresponding period in last year.

## **Administrative expenses**

Administrative expenses decreased by approximately 2.0% to approximately RMB28.49 million during the period under review.

## **Finance costs**

During the period under review, finance costs decreased to approximately RMB7.59 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 2021, share of loss of associates amounted to approximately RMB61.24 million (2020 comparative figures: share of loss of approximately RMB111.83 million). The amount represented the Group's share of results of the associate located in Germany "FFG European and American Holdings GmbH" for the period under review.

## **Loss attributable to owners of the Company**

For the six months ended 30 June 2021, loss attributable to owners of the Company amounted to approximately RMB39.82 million. For the six months ended 30 June 2020, loss attributable to owners of the Company amounted to approximately RMB95.29 million.

## **Prospects**

In the first half of 2021, China's economy continued to recover from the impact of the COVID-19. The Group's CNC machine tools business sustained high order intake momentum for the first half of 2021, with the revenue of this business recorded notable growth as compared to the corresponding period last year. 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 RMB28.42 million for the six months ended 30 June 2021. The management therefore considers that the overall financial position of the Group remain solid.

Looking ahead, 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 Group will continue to improve its operational efficiency through efficient management; whilst the management will continue to control operating costs for achieving better operating results of the Group. The management is therefore 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 2021, the Group's bank and cash balances amounted to approximately RMB40.03 million (at 31 December 2020: RMB104.01 million). As at 30 June 2021, the Group had net current assets of approximately RMB120.70 million (at 31 December 2020: RMB89.65 million) and short-term bank borrowings of approximately RMB397.37 million (at 31 December 2020: RMB423.81 million). The current ratio (total current assets to total current liabilities) of the Group as at 30 June 2021 was approximately 1.1 (at 31 December 2020: 1.1). The gearing ratio as at 30 June 2021 (total interest bearing liabilities to total assets) was approximately 22.6% (at 31 December 2020: 21.9%), indicated that the Group's overall financial position remained solid.

## **Capital structure**

The share capital of the Company as at 30 June 2021 was HK\$4,030,740 divided into 403,074,000 shares of HK\$0.01 each (at 31 December 2020: HK\$4,030,740 divided into 403,074,000 shares of HK\$0.01 each).

## **Staff and remuneration policies**

As at 30 June 2021, the Group employed a total of approximately 940 full time employees (31 December 2020: 950) 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 2021, the Group had capital expenditure commitments mainly for construction of buildings of approximately RMB24.25 million (at 31 December 2020: RMB24.25 million) which were contracted but not provided in the financial statements. The Group had no material contingent liabilities as at 30 June 2021 (at 31 December 2020: Nil).

## **Charges on the group's assets**

As at 30 June 2021, the Group had restricted bank balances of approximately RMB68.09 million (at 31 December 2020: RMB139.43 million).

A subsidiary of the Company had pledged their land use rights and building with an aggregate carrying amount of RMB79.65 million (31 December 2020: RMB80.63 million) as at 30 June 2021 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 2021 (2020 interim dividend: Nil).

## **Proposed privatisation**

On 29 July 2021, the Offeror Good Friend (H.K.) Corporation Limited requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of the Scheme involving the cancellation of the Scheme Shares and, in consideration thereof, the payment of the Cancellation Price of HK\$1.50 to the Scheme Shareholders, and the withdrawal of the listing of the Shares and the TDRs on the Stock Exchange of Hong Kong and the Taiwan Stock Exchange, respectively. For details of the Proposal, please refer to the joint announcement published by the Company and the offeror dated 12 August 2021.

## **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 2021.

## **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 2021 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 2021 due to other business engagements. 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 2021.

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

Hong Kong, 31 August 2021

*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.*