

# 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  
REPORT  
2020**

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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

#### Independent Non-Executive Directors

KOO Fook Sun, Louis

YU Yu-Tang

KAO Wen-Cheng

### COMPANY SECRETARY

LO Tai On

### AUTHORISED REPRESENTATIVES

CHU Chih-Yaung

WEN Chi-Tang

### LEGAL ADVISERS AS TO HONG KONG LAW

Woo Kwan Lee & Lo

### 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

### 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>

## 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.

## DISCLOSURE OF INTERESTS

### Directors' interest in shares

As at 30 June 2020, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), are set out below:

1. *Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporation*

(a) Interests in the Company

Name of Director	Nature of interest	Number and class of securities	Approximate percentage of the issued shares as at 30 June 2020
Mr. Chu Chih-Yaung ("Mr. Chu")	Corporate interest	20,000,000 (Note)	4.96%

*Note:* These 20,000,000 Shares were held by Sunward Gold Global Investments Limited ("Sunward"). Mr. Chu held 72.22% of the issued shares of Sunward and accordingly was deemed to be interested in the 20,000,000 Shares held by Sunward under the SFO.

(b) Interests in the associated corporations of the Company

Name of Directors	Name of associated corporations	Nature of interest	Number and class of securities	Approximate percentage of shareholdings as at 30 June 2020
Mr. Chu	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:*

- (1) Ms. Wang Tz-Ti ("Ms. Wang"), the spouse of Mr. Chu, held 2.48% of the issued share capital of Taiwan FF. Mr. Chu was deemed to be interested in all the shares held by Ms. Wang in Taiwan FF under the SFO.
- (2) 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 30 June 2020, none of the Directors or chief executive of the Company had any interest of long position 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 30 June 2020, none of the Directors or chief executive of the Company, had any interest of 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.

**Directors' rights to acquire shares or debentures**

Save for the share option scheme of the Company adopted on 2 June 2016, no time during the period under review, 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 spouse or children under 18 years of age; or were any such rights exercised by them; or was the Company or its subsidiaries a party to any arrangement (other than the share option scheme as disclosed below) 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.

**Share option scheme**

The Company adopted a share option scheme (the "Scheme") on 2 June 2016, pursuant to which the Board may, at its discretion, grant options to Directors and other eligible persons (as defined in the Scheme) to enable them to subscribe for shares of the Company as incentives and/or rewards for their contribution to the success of the Group. Particulars of the Scheme are set out in the circular of the Company dispatched on 29 April 2016.

No share option was granted by the Company since adoption of the Scheme.

### Substantial shareholders

As at 30 June 2020, the interests or short positions of every person, other than a 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:

#### 1. Aggregate long position in the shares and underlying shares of the Company

Name of shareholders	Nature of interest	Number of ordinary shares held	Approximate percentage of the issued shares as at 30 June 2020
Good Friend (H.K.) Corporation Limited ("Hong Kong GF")	Beneficial owner	232,000,000 shares ( <i>Note</i> )	57.56%
Taiwan FF	Interest of controlled corporation	232,208,000 shares ( <i>Note</i> )	57.61%

*Note:* Hong Kong GF was owned as to approximately 99.99% by Taiwan FF. Accordingly, Taiwan FF was deemed to be interested in the long position of 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 30 June 2020.

## OTHER INFORMATION

### Changes of director's information under rule 13.51B(1) of the Listing Rules

The Company is not aware of change of information of directors of the Company since the 2019 Annual Report which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### 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.

### **Nomination committee**

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.

### **Remuneration committee**

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.

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

Hong Kong, 28 August 2020

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

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	4	382,660	496,105
Cost of revenue	5	<u>(294,324)</u>	<u>(381,127)</u>
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	13	<u>(111,828)</u>	<u>(80,756)</u>
(Loss) profit before income tax	7	(89,120)	37,733
Income tax expense	8	<u>(6,167)</u>	<u>(16,606)</u>
(Loss) profit attributable to owners of the Company		<u>(95,287)</u>	<u>21,127</u>
<b>Other comprehensive income:</b> <i>Items that will not be reclassified to profit or loss:</i>			
Share of other comprehensive income of associates		<u>(137)</u>	<u>108</u>

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<i>Items that may be reclassified to profit or loss:</i>			
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
		<u>1,837</u>	<u>4,978</u>
		<u>1,700</u>	<u>5,086</u>
Total comprehensive income attributable to owners of the Company		<u>(93,587)</u>	<u>26,213</u>
(Loss) earnings per share (expressed in RMB per share)			
– Basic	9	<u>(0.24)</u>	<u>0.05</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	210,622	218,344
Right-of-use assets	11	123,985	124,371
Intangible assets		1,113	1,407
Investments in joint ventures	12	20,941	21,646
Investments in associates	13	282,198	392,326
Deferred tax assets	14	27,438	27,991
		<b>666,297</b>	<b>786,085</b>
<b>Current assets</b>			
Inventories		462,177	493,053
Trade and other receivables and prepayments	15	303,341	227,096
Contract assets	16	52,314	44,399
Loans receivable		49,295	48,394
Receivables at FVTOCI		116,947	101,945
Amount due from ultimate holding company	23	2,645	–
Amount due from fellow subsidiaries and associates of ultimate holding company	23	475	6,248
Amounts due from joint ventures	23	567	512
Amounts due from associates and subsidiaries of associates	23	344,104	235,155
Restricted bank balances		111,464	106,333
Bank and cash balances		79,295	74,860
		<b>1,522,624</b>	<b>1,337,995</b>

	<i>Notes</i>	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
<b>Current liabilities</b>			
Trade and other payables and accrued expenses	18	401,658	389,300
Contract liabilities		336,898	300,336
Deferred income	21	1,410	1,410
Amount due to ultimate holding company	23	1,077	157
Amount due to immediate holding company	23	15,870	815
Amounts due to fellow subsidiaries and associates of ultimate holding company	23	2,168	2,457
Amounts due to joint ventures	23	414	380
Amounts due to an associate and subsidiaries of an associate	23	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	19	495,217	400,071
Warranty provision		3,509	4,019
		<u>1,463,134</u>	<u>1,303,377</u>
<b>Net current assets</b>		<u>59,490</u>	<u>34,618</u>
<b>Total assets less current liabilities</b>		<u>725,787</u>	<u>820,703</u>
<b>Non-current liabilities</b>			
Lease liabilities		2,156	1,784
Other borrowings		36,760	36,760
Deferred income	21	71,979	73,680
		<u>110,895</u>	<u>112,224</u>
<b>Net assets</b>		<u>614,892</u>	<u>708,479</u>
<b>Capital and Reserves</b>			
Share capital	20	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
<b>Total equity</b>		<u>614,892</u>	<u>708,479</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
At 1 January 2019	4,022	82,281	77,338	58,361	494,404	716,406
Profit for the period					21,127	21,127
<b>Other comprehensive income</b>						
Share of other comprehensive income of associates (note 13)	-	-	-	4,370	108	4,478
Exchange difference arising on translation of foreign operations	-	-	-	253	-	253
Net fair value gain on receivables at FVTOCI	-	-	-	355	-	355
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,978</u>	<u>108</u>	<u>5,086</u>
<b>Total comprehensive income</b>	-	-	-	4,978	21,235	26,213
Transfer to statutory reserves	-	-	-	638	(638)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>638</u>	<u>(638)</u>	<u>-</u>
At 30 June 2019 (unaudited)	<u>4,022</u>	<u>82,281</u>	<u>77,338</u>	<u>63,977</u>	<u>515,001</u>	<u>742,619</u>
At 31 December 2019 (audited)	<u>4,021</u>	<u>82,183</u>	<u>77,338</u>	<u>66,454</u>	<u>478,483</u>	<u>708,479</u>

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserves <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total equity <i>RMB'000</i>
Loss for the period					(95,287)	(95,287)
<b>Other comprehensive income (expense)</b>						
Share of other comprehensive income of associates ( <i>note 13</i> )	-	-	-	(1,423)	(137)	(1,560)
Exchange difference arising on translation of foreign operations	-	-	-	3,260	-	3,260
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,837</u>	<u>(137)</u>	<u>1,700</u>
<b>Total comprehensive income (expense)</b>	-	-	-	1,837	(95,424)	(93,587)
At 30 June 2020 (unaudited)	<u>4,021</u>	<u>82,183</u>	<u>77,338</u>	<u>68,291</u>	<u>383,059</u>	<u>614,892</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Operating activities</b>		
Cash generated from operations	42,718	135,567
Income tax and withholding tax paid	<u>(6,167)</u>	<u>(19,071)</u>
<b>Net cash generated from operating activities</b>	<u>36,551</u>	<u>116,496</u>
<b>Investing activities</b>		
Acquisition of property, plant and equipment and intangible assets	(4,042)	(18,173)
Repayment from associates and subsidiaries of an associate	36,352	16,367
Advance to associates and subsidiaries of an associate	(149,199)	(232,564)
Proceeds from disposal of property, plant and equipment	4	27
Purchase of financial assets at FVTPL	–	(131,905)
Withdrawal of financial assets at FVTPL	–	239,290
Interest received	2,174	875
Placement of restricted bank deposits	(5,131)	(20,892)
Withdrawal of restricted bank deposits	<u>–</u>	<u>15,270</u>
<b>Net cash used in investing activities</b>	<u>(119,842)</u>	<u>(131,705)</u>

	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
<b>Financing activities</b>		
Proceeds from bank borrowings	1,462,804	1,663,563
Repayment of bank borrowings	(1,367,658)	(1,605,381)
Repayment of lease liabilities	(1,891)	(1,450)
Proceeds from government subsidy	6,006	8,647
Interest paid	(9,646)	(11,446)
<b>Net cash generated from financing activities</b>	<u>89,615</u>	<u>53,933</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	6,324	38,724
Cash and cash equivalents at the beginning of the period	74,860	112,673
Effect of foreign exchange rate changes	(1,889)	499
<b>Cash and cash equivalent at the end of the period, represented by bank balances and cash</b>	<u><u>79,295</u></u>	<u><u>151,896</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2020*

## 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 depository 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 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Machine tools	293,710	409,201
Parking garage structures	74,945	52,031
Forklift trucks	14,005	34,873
	<u>382,660</u>	<u>496,105</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 Tools <i>RMB'000</i>	Parking Garage Structures <i>RMB'000</i>	Forklift Trucks <i>RMB'000</i>	Total Group <i>RMB'000</i>
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
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 to the PRC market.

## 5. SEGMENT INFORMATION (Continued)

### 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 RMB'000 (Unaudited)	2019 RMB'000 (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
	<u>26,656</u>	<u>116,262</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) PROFIT BEFORE INCOME TAX

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

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

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 (Unaudited)	2019 (Unaudited)
Basic (loss) earnings per share (RMB per share)	<u>(0.24)</u>	<u>0.05</u>

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. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB391,000 (six months ended 30 June 2019: RMB31,000) for proceeds of RMB4,000 (six months ended 30 June 2019: RMB27,000), resulting in a loss on disposal of RMB387,000 (six months ended 30 June 2019: net gain on disposal of RMB4,000). In addition, the Group spent RMB1,180,000 (six months ended 30 June 2019: RMB18,159,000) on additions to property, plant and equipment.

During the current interim period, the Group entered into new lease agreements for the use of office rental for 1 to 4 years. The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognised right-of-use assets of RMB123,985,000 and lease liabilities of RMB5,319,000.

## 12. INVESTMENTS IN JOINT VENTURES

	As at	
	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Cost of unlisted investments in joint ventures	27,666	27,666
Share of post-acquisition losses	<u>(6,725)</u>	<u>(6,020)</u>
	<u>20,941</u>	<u>21,646</u>

## 13. INVESTMENTS IN ASSOCIATES

	As at	
	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (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	<u>31,055</u>	<u>27,795</u>
	<u>282,198</u>	<u>392,326</u>

### 13. INVESTMENTS IN ASSOCIATES (Continued)

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 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (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).

### 14. DEFERRED TAXATION

The followings are the major deferred tax assets recognised and movements thereon during the current and preceding interim periods:

	Allowance for doubtful receivables <i>RMB'000</i>	Allowance for inventories <i>RMB'000</i>	Warranty provision <i>RMB'000</i>	Deferred income <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2019	4,744	1,195	766	16,761	4,054	27,520
Charge to other comprehensive income	(63)	-	-	-	-	(63)
Charge to profit or loss	(247)	(14)	(76)	(82)	(1,657)	(2,076)
As at 30 June 2019 (unaudited)	4,434	1,181	690	16,679	2,397	25,381
As at 1 January 2020 (audited)	4,266	1,655	766	16,520	4,784	27,991
Charge to profit or loss	(553)	-	-	-	-	(553)
As at 30 June 2020 (unaudited)	3,713	1,655	766	16,520	4,784	27,438

## 15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (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	<u>120,236</u>	<u>107,692</u>
	<u><u>218,985</u></u>	<u><u>185,856</u></u>

## 16. CONTRACT ASSETS

	As at	
	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Machine Tools	49,352	34,041
Parking Garage Structures	<u>3,181</u>	<u>10,577</u>
	52,533	44,618
Less: impairment loss on contract assets	<u>(219)</u>	<u>(219)</u>
	<u><u>52,314</u></u>	<u><u>44,399</u></u>

## 17. IMPAIRMENT ASSESSMENT OF FINANCIAL ASSETS AND OTHER ITEMS UNDER EXPECTED CREDIT LOSS ("ECL") MODEL

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those used in the Group's annual financial statements for the year ended 31 December 2019.

## 18. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	As at	
	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (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	<u>401,658</u>	<u>389,300</u>

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 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (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
	<u>340,430</u>	<u>313,029</u>

## 19. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB1,462,804,000 (six months ended 30 June 2019: RMB1,663,563,000). The loans carry interest at variable market rates ranging from 1.60% to 5.55% per annum and are repayable in instalments within one year.

## 20. SHARE CAPITAL

	Number of shares '000	Nominal value RMB'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 January 2019 (audited), 30 June 2019 (unaudited), 31 December 2019 (audited) and 30 June 2020 (unaudited)	<u>1,000,000</u>	<u>10,211</u>
Issued and fully paid:		
As at 1 January 2019 (audited) and 30 June 2019 (unaudited)	403,200	4,022
Share repurchased and cancelled	(126)	(1)
As at 31 December 2019 (audited) and 30 June 2020 (unaudited)	<u>403,074</u>	<u>4,021</u>

## 21. DEFERRED INCOME

	As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Assets related government grants	<u>73,389</u>	<u>75,090</u>
Analysed as:		
Current liabilities	1,410	1,410
Non-current liabilities	<u>71,979</u>	<u>73,680</u>
	<u>73,389</u>	<u>75,090</u>

In November 2016 and July 2019, Fair Friend (Henan) Precision Machinery Co., Ltd. ("Fair Friend Henan"), one of the Company's wholly-owned subsidiaries, received certain government grants and subsidies amounting to RMB61,180,000 and RMB8,647,000 respectively for its specified purpose of the usage of land. These grants and subsidies 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. 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.

## 22. CAPITAL COMMITMENTS

	As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Capital expenditure contracted for but not provided in respect of construction of buildings	<u>24,036</u>	<u>24,246</u>

## 23. RELATED PARTY TRANSACTIONS

### (1) Transactions and balances

During the current interim period and by the end of the reporting period, the Group had the following transactions and balances with its related parties:

#### *Transactions*

Name of company	Relationship	Nature of transactions	Six months ended 30 June	
			2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Ultimate holding company</b>				
Fair Friend Enterprise Company Limited ("Fair Friend")	Ultimate holding company	Purchase of goods	11,516	4,738
		Purchase of service	815	4,054
<b>Immediate holding company</b>				
Good Friend (H.K.) Corporation Limited ("Hong Kong GF")	Immediate holding company	Purchase of goods	15,914	25,516
<b>Fellow subsidiaries and associates of ultimate holding company</b>				
Hangzhou Feeler Takamatsu Machinery Co., Ltd. ("Feeler Takamatsu")	Associate of ultimate holding company	Sales of service	296	1,080
		Rental income	22	36
		Purchase of goods	659	–
Hangzhou Best Friend Technology Co., Ltd ("Best Friend")	Associate of ultimate holding company	Sales of goods	–	4
		Interest income	–	33
FFG DMC Co., Ltd ("FFG DMC")	Fellow subsidiary	Sales of goods	–	581
		Purchase of goods	3,537	2,465
SMS Holding Co., Inc.	Fellow subsidiary	Sales of goods	209	63

## 23. RELATED PARTY TRANSACTIONS (Continued)

### (1) Transactions and balances (Continued)

#### *Transactions (Continued)*

Name of company	Relationship	Nature of transactions	Six months ended 30 June	
			2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Joint ventures</b>				
Anest Iwata Feeler Corporation ("AIF")	Joint venture	Sales of service	501	610
		Rental income	23	23
Hangzhou Feeler Mectron Machinery Co., Ltd. ("Feeler Mectron")	Joint venture	Sales of service	181	195
		Purchase of goods	572	–
		Rental income	9	34
Hangzhou Union Friend Machinery Co., Ltd. ("UFM")	Joint venture	Purchase of goods	898	929
		Sales of service	48	45
		Interest income	8	7
Hangzhou Nippon Cable Feeler Corporation ("Nippon Cable Feeler")	Joint venture	Purchase of service	8	20
		Sales of service	11	10
<b>Associates and subsidiary of an associate</b>				
FFG Europe & Americas (Shanghai) IAS Co., Ltd. (FFG Shanghai)	Subsidiary of an associate	Interest income	367	36
MAG Automotive LLC	Subsidiary of an associate	Sales of service	126	–

## 23. RELATED PARTY TRANSACTIONS (Continued)

### (1) Transactions and balances (Continued)

The terms of the above transactions are governed based on framework agreements entered into between the Company and the respective related parties:

#### *Balances*

Name of company	Relationship	Nature of balances	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>The ultimate holding company</b>				
Fair Friend	Ultimate holding company	Trade payables (note(a))	(844)	(157)
		Advance to (note(b))	2,645	-
		Other payables (note(b))	(233)	-
Amount due from the ultimate holding company			2,645	-
Amount due to the ultimate holding company			(1,077)	(157)
<b>The immediate holding company</b>				
Hong Kong GF	Immediate holding company	Trade payables (note(a))	(3,544)	(815)
		Other payables (note(b))	(12,326)	-
Amount due to the immediate holding company			(15,870)	(815)
<b>Fellow subsidiaries and associates of the ultimate holding company</b>				
SANCO	Fellow subsidiary	Trade payables (note(a))	(2,168)	(2,144)
FFG DMC	Fellow subsidiary	Trade receivables (note(a))	167	160
		Other receivables (note(b))	-	2,931
		Trade payables (note(a))	-	(303)
		Advance from (note(b))	-	(10)
Feeler Takamatsu	Associate of ultimate holding company	Other receivables (note(b))	99	39
		Trade receivables (note(a))	-	151

## 23. RELATED PARTY TRANSACTIONS (Continued)

### (1) Transactions and balances (Continued)

#### Balances (Continued)

Name of company	Relationship	Nature of balances	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
SMS Holding	Fellow subsidiary	Trade receivables (note(a))	209	17
Best Friend	Fellow subsidiary	Other receivables (note(b))	–	2,950
Amounts due from fellow subsidiaries and associates of ultimate holding company			475	6,248
Amounts due to fellow subsidiaries and associates of ultimate holding company			(2,168)	(2,457)
<b>Joint ventures</b>				
AIF	Joint venture	Other receivables (note(b))	237	116
Feeler Mectron	Joint venture	Trade receivables (note(a))	0	52
		Other receivables (note(b))	25	19
UFM	Joint venture	Trade payables (note(a))	0	(379)
		Other receivables (note(b))	305	316
		Other payables (note(b))	(412)	0
Nippon Cable Feeler	Joint venture	Other receivables (note(b))	0	9
		Other payables (note(b))	(2)	(1)
Amounts due from joint ventures			567	512
Amounts due to joint ventures			(414)	(380)

## 23. RELATED PARTY TRANSACTIONS (Continued)

### (1) Transactions and balances (Continued)

#### Balances (Continued)

Name of company	Relationship	Nature of balances	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>Associates and subsidiaries of an associate</b>				
FFG Werke GmbH	Associate	Trade payables (note(a))	(19,583)	(23,481)
		Other receivables (note(b))	3,245	1,724
		Shareholder loan (note(c))	63,475	38,893
		Compensation receivables (note(c))	72,667	72,667
FFG Europe S.p.A	Associate	Other receivables (note (b))	766	766
		Shareholder loan (note (c))	34,780	38,073
Jobs Automazione S.p.A	Subsidiary of an associate	Other receivables (note (b))	18,228	23,365
Sky Thrive Rambaudi S.r.l	Subsidiary of an associate	Other receivables (note (b))	3,293	3,227
		Shareholder loan (note (c))	6,158	6,057
FFG European and American Holdings GmbH	Associate	Other receivables (note (b))	116,891	7,683
Grinding technology S.r.l	Subsidiary of an associate	Other receivables (note (b))	9,688	9,531
FFG Shanghai		Other receivables (note (b))	14,787	14,397

## 23. RELATED PARTY TRANSACTIONS (Continued)

### (1) Transactions and balances (Continued)

#### Balances (Continued)

Name of company	Relationship	Nature of balances	30 June	31 December
			2020	2019
			RMB'000	RMB'000
			(Unaudited)	(Audited)
MAG IAS GmbH	Subsidiary of an associate	Other receivables <i>(note (b))</i>	126	18,772
Amounts due from associates and subsidiaries of associates			344,104	235,155
Amounts due to an associate and subsidiaries of an associate			(19,583)	(23,481)

- (a) The Group allows a normal credit period of 30 to 180 days for sales made to the above parties. Balances are unsecured and interest free.
- (b) Balances are unsecured, interest free and repayable on demand.
- (c) Balances are unsecured, interest free and repayable on demand and guaranteed by Fair Friend.

### (2) Compensation of directors and key management personnel

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and allowances	1,238	1,175
Performance related bonuses	112	207
Retirement benefit scheme contribution	28	28
	<u>1,378</u>	<u>1,410</u>

## 24. PLEDGE OF ASSETS

	As at	
	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Right-of-use assets	86,340	82,484
Restricted bank balances for trade finance facilities	<u>49,234</u>	<u>43,728</u>
	<u><b>135,574</b></u>	<u><b>126,212</b></u>

The Group has pledged its right-of-use assets 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 for finance facilities of the Group.