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 2017

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 2017 together with the comparative figures for the corresponding period in 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2017	2016
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**654,396**	534,545
Cost of revenue	*4*	**(498,616)**	(392,266)
Gross profit		**155,780**	142,279
Other income	*5*	**17,032**	13,034
Distribution and selling expenses		**(68,704)**	(62,610)
Administrative expenses		**(60,944)**	(53,366)
Other operating expenses		**(3,115)**	(728)
Operating profit		**40,049**	38,609
Finance costs		**(4,156)**	(5,764)
Share of profit (loss) of joint ventures		**261**	(503)
Share of profit of associates	*12*	**9,914**	154

	NOTES	Six months ended 30 June **2017** ***RMB'000*** **(Unaudited)**	 2016 *RMB'000* (Unaudited)
Profit before income tax	*6*	**46,068**	32,496
Income tax expense	*7*	**(10,047)**	(13,958)
Profit attributable to equity holders of the Company		**36,021**	18,538
Other comprehensive loss:			
Items that will not be reclassified to profit or loss:			
Share of other comprehensive loss of associates	*12*	**(26)**	(16,949)
Items that may be subsequently reclassified to profit or loss:			
Share of other comprehensive loss of associates	*12*	**(24,876)**	(9,247)
Exchange difference arising on translation of foreign operations		**23,829**	8,454
Total comprehensive income attributable to equity holders of the Company		**34,948**	796
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	*8*	**0.09**	0.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**30 June 2017 RMB'000 (Unaudited)**	31 December 2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**187,105**	195,332
Prepaid lease payments		**124,504**	121,148
Intangible assets		**2,885**	3,431
Investments in joint ventures		**16,755**	16,494
Investments in associates	*12*	**406,336**	385,655
Deferred tax assets		**22,860**	21,701
		760,445	743,761
Current assets			
Inventories		**267,159**	202,828
Debtors, deposits and prepayments	*10*	**547,968**	499,083
Prepaid lease payments		**2,905**	2,707
Amounts due from customers for contract work		**71,486**	40,692
Amount due from ultimate holding company		**1,342**	2,110
Amounts due from fellow subsidiaries and an associate of ultimate holding company		**1,507**	2,518
Amounts due from joint ventures		**910**	922
Amounts due from associates and subsidiaries of an associate		**69,111**	81,629
Restricted bank deposits		**33,337**	33,163
Cash and cash equivalents		**139,805**	177,946
		1,135,530	1,043,598

	NOTES	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Current liabilities			
Creditors, other payables and accrued charges	*11*	**546,103**	490,737
Amounts due to customers for contract work		**32,942**	31,682
Amount due to ultimate holding company		**3,343**	2,388
Amount due to immediate holding company		**2,880**	619
Amounts due to a fellow subsidiary and an associate of ultimate holding company		**4,748**	5,503
Amounts due to an associate and subsidiaries of an associate		**24,822**	7,981
Amounts due to joint ventures		**244**	192
Current income tax liabilities		**25,681**	26,219
Warranty provision		**6,178**	6,018
Bank borrowings		**348,838**	350,772
		995,779	922,111
Net current assets		**139,751**	121,487
Total assets less current liabilities		**900,196**	865,248
Non-current liabilities			
Deferred revenue		**61,180**	61,180
Net assets		**839,016**	804,068
Capital and Reserves			
Share capital		**4,022**	4,022
Share premium		**82,281**	82,281
Capital reserves		**77,338**	77,338
Other reserves		**60,201**	61,248
Retained earnings		**615,174**	579,179
Total equity		**839,016**	804,068

NOTES:

1. GENERAL INFORMATION

Good Friend International Holdings Inc. ("the Company") and its subsidiaries ("the Group") are engaged in 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 ("the Stock Exchange") since 11 January 2006. The Company's 67,200,000 units of Taiwan depositary receipts ("TDRs"), representing 67,200,000 newly issued shares of the Company, were issued and listed on the Taiwan Stock Exchange Corporation ("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, 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"), unless otherwise stated. These condensed consolidated financial statements were approved for issue by the Board of Directors on 30 August 2017.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants 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 "Listing Rules"). The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the Group's financial year beginning on 1 January 2017.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. 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 structure; 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 for each reportable segment and total assets for each reportable segment.

Six months ended 30 June 2017 (Unaudited)	**Machine Tools** *RMB'000*	**Parking Garage Structures** *RMB'000*	**Forklift Trucks** *RMB'000*	**Total Group** *RMB'000*
Revenue (all from external sales)	**496,774**	**105,401**	**52,221**	**654,396**
Cost of revenue	**(364,954)**	**(87,682)**	**(45,980)**	**(498,616)**
Segment profit	**131,820**	**17,719**	**6,241**	**155,780**

Six months ended 30 June 2016 (Unaudited)	Machine Tools *RMB'000*	Parking Garage Structures *RMB'000*	Forklift Trucks *RMB'000*	Total Group *RMB'000*
Revenue (all from external sales)	398,480	96,210	39,855	534,545
Cost of revenue	(280,709)	(75,247)	(36,310)	(392,266)
Segment profit	117,771	20,963	3,545	142,279

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

5. OTHER INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**886**	4,735
Sales of materials	**3,334**	3,264
Repair income	**5,870**	4,511
Government subsidies*	**10,340**	9,022
Rental income	**103**	113
Net gain on disposal of property, plant and equipment	**162**	–
Net exchange loss	**(6,234)**	(11,512)
Others	**2,571**	2,901
	17,032	13,034

* *Government subsidies mainly represent the refund of value-added tax in relation to software embedded in the sales of machine tools and parking garage structures. The Group recognised the government subsidies in the condensed consolidated statement of profit or loss and other comprehensive income when it has fulfilled all the conditions specified in the subsidy notice or relevant law and regulations.*

6. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	**447,904**	346,999
Allowance for bad and doubtful debts, net	**9,678**	3,500
Amortisation of intangible assets	**692**	644
Amortisation of prepaid lease payment	**1,580**	472
Depreciation of property, plant and equipment	**11,561**	12,959
Allowance for inventories, net	**1,426**	851
Research and development costs recognised as expense*	**14,355**	16,285
Net loss on disposal of property, plant and equipment	**–**	163
Provision for warranty	**2,917**	2,104
Direct operating expenses incurred for rental income	**543**	1,047

* *The amount disclosed above does not include depreciation of property, plant and equipment and amortisation of intangible assets charged to research and development cost recognised as expense amounting to RMB620,000 and RMB399,000 (six months period ended 30 June 2016: RMB713,000 and RMB60,000) respectively. Such expenses are included in their corresponding headings within this note.*

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current Enterprise income tax ("EIT")	**11,206**	9,502
PRC withholding tax	**–**	5,543
Deferred tax	**(1,159)**	(1,087)
	10,047	13,958

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

No provision for Hong Kong profits tax has been made since 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 ("NHTE") status in 2014, which has been approved by the relevant government authorities, and it is entitled to a reduced tax rate of 15% for a three-year period commencing 2014. Hangzhou Good Friend renewed the NHTE during the six months period ended 30 June 2017 and the relevant government authority is still in the process to assess the NHTE status. The directors of the Company is of a view that it is very probable that Hangzhou Good Friend can get the NHTE accreditation by end of 2017 based on Company's assessment and historical practice. Accordingly, the estimated tax rate for Hangzhou Good Friend for current review period is 15% (six months ended 30 June 2016: 15%).

In according to Detailed Implementation Regulations for implementation of the EIT law of 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%. 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 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.

8. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company of RMB36,021,000 (six months period ended 30 June 2016: RMB18,538,000) by the number of ordinary shares in issue during the year of 403,200,000 (2016: 403,200,000).

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Basic and diluted earnings per share (RMB per share)	**0.09**	0.05

There were no potential dilutive shares in issue for both periods.

9. DIVIDENDS

No dividend was declared nor paid during the six months ended 30 June 2017. The dividends recorded in the six months ended 30 June 2016 represents the 2015 final dividend of RMB12,096,000 which was declared and paid during the period.

At a meeting of the board of directors held on 30 August 2017, the directors of the Company have declared an interim dividend of RMB0.05 per share for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil). The proposed interim dividend was not recognised as dividend payable in the condensed consolidated financial statements for the six months ended 30 June 2017.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	As at	
	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade debtors and bills receivables	**519,149**	484,785
Less: provision for impairment of trade receivables	**(43,470)**	(33,792)
Trade debtors and bills receivables – net	**475,679**	450,993
Prepayments	**41,284**	19,521
Others	**31,005**	28,569
Total debtors, deposits and prepayments	**547,968**	499,083

The Group generally allows a credit period of 30 to 180 days to its customers. The Group also allows its customers to retain certain percentage of the outstanding balances as retention money for a one or two-year warranty period of the products sold.

The ageing analysis of gross trade debtors and bills receivables based on due date were as follows:

	As at 30 June 2017 *RMB'000* (Unaudited)	31 December 2016 *RMB'000* (Audited)
Current – 30 days	**356,286**	367,010
31 – 60 days	**24,877**	10,305
61 – 90 days	**11,721**	7,184
91 – 180 days	**37,829**	15,989
Over 180 days	**88,436**	84,297
Trade debtors and bills receivables	**519,149**	484,785

In determining the recoverability of the trade debtors, the Group considers any change in the credit quality of the trade debtors from the date on which the credit was initially granted and up to the reporting date. The credit quality of the trade debtors that are neither past due nor impaired had not changed during current reporting period.

11. CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES

	As at 30 June 2017 *RMB'000* (Unaudited)	31 December 2016 *RMB'000* (Audited)
Trade creditors	**216,104**	203,499
Advance deposits from customers	**256,830**	194,990
Other payables	**35,557**	50,888
Accrued expenses	**37,612**	41,360
Total creditors, other payables and accrued charges	**546,103**	490,737

The Group is normally granted credit terms of 30 to 60 days. The ageing analysis of the trade creditors is as follows:

	As at 30 June 2017 *RMB'000* (Unaudited)	31 December 2016 *RMB'000* (Audited)
Current – 30 days	**121,872**	134,078
31 – 60 days	**56,226**	48,156
61 – 90 days	**12,838**	5,219
91 – 180 days	**7,504**	3,062
Over 180 days	**17,664**	12,984
	216,104	203,499

12. INVESTMENTS IN ASSOCIATES

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Cost of unlisted investments in associates	**415,701**	415,701
Share of post-acquisition loss and other comprehensive loss	**(39,953)**	(36,805)
Exchange difference arising on translation of foreign operations	**30,588**	6,759
	406,336	385,655

The Group's proportionate share of loss of one of its associates for the six months ended 30 June 2017 of RMB34,333,000 exceeded the carrying value of its investment in that associate as of 30 June 2017 of RMB22,493,000. Based on the assessment of the directors of the Company, however, an amount due from that associate of RMB11,840,000 as of 30 June 2017 shall form part of the net investment in it given that there is no fixed repayment period and settlement of which is unlikely to occur in the foreseeable future (31 December 2016: Nil). Thus, the Group has recogonised its proportionate share of further losses of RMB11,840,000 (six months ended 30 June 2016: Nil) as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Amounts due from an associate	**11,840**	–
Share of post-acquisition losses that are in excess of the cost of the investments	**(11,840)**	–
	–	–

The Group's share of the results in associates for the six months ended 30 June 2017 and the aggregate assets and liabilities of the associates as at 30 June 2017 are shown below:

	RMB'000
Assets	5,791,663
Liabilities	4,935,170
Revenue	2,237,583
Share of profit	9,914
Share of other comprehensive loss (*)	(24,902)

* *The share of other comprehensive loss represents the aggregate of the share of exchange differences on translation of foreign operations of RMB24,876,000 and the re-measurement losses on defined benefit plans of RMB26,000 of the associates.*

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the first half of 2017, sales volume of CNC machine tools, parking garage structures and forklift trucks amounted to 957 units, 7,951 units and 837 units respectively (2016 comparative figures: 756 units, 7,502 units and 662 units). The mainstream product of the Group CNC machine tools focus mainly on the China market, with the major customers being those automobile parts and mechanical manufacturers. According to the economic data released by the National Bureau of Statistics of China, China's gross domestic product (GDP) grew by a year-on-year rate of 6.9% in the first half of 2017, representing a continued steady and positive growth trend since the second half of 2016, which shows that China has entered into a new stage of stable and sound economic development. Sales revenue of the Group's CNC machine tools business therefore recorded satisfactory growth during the period under review. For the six months ended 30 June 2017, sales revenue of CNC machine tools amounted to approximately RMB496.77 million, representing an increase when compared to corresponding period in 2016.

During the period under review, the Group continued to offer high end CNC machine tools products to the customers. Sales revenue of high-end CNC machine tools products (manufactured by vendors in Germany and Italy) during the period under review amounted to approximately RMB115.37 million, and accounted for approximately 23.2% of sales revenue of the Group's CNC machine tools business. These high-end products could optimise the product portfolio of the Group, and strengthen its core competitiveness.

Financial Review

Revenue

For the six months ended 30 June 2017, the Group recorded revenue of approximately RMB654.40 million, representing an increase of approximately 22.4% as compared to the corresponding period in 2016. CNC machine tools remained the major source of the Group's revenue. During the period under review, sales revenue of CNC machine tools business amounted to approximately RMB496.77 million, representing an increase of 24.7% as compared to the corresponding period in last year. Revenue of CNC machine tools accounted for approximately 75.9% 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 increased by 31.0%, as compared to corresponding period in last year, to approximately RMB52.22 million and approximately 8.0% of the Group's total revenue. Moreover, sales revenue of parking garage structures amounted to approximately RMB105.40 million during the period under review, representing an increase of approximately 9.6% as compared to corresponding period in last year and accounted for approximately 16.1% of the total revenue.

Gross profit and margin

During the period under review, gross profit of the Group amounted to approximately RMB155.78 million. Overall gross profit margin was approximately 23.8%, compared to 26.6% for the corresponding period in last year. The gross profit margin of CNC machine tools (the Group's major product) during the period under review decreased as compared to last year. As a result, the overall gross profit margin for the period under review decreased.

Distribution and selling expenses

Distribution and selling expenses for the six months ended 30 June 2017 amounted to approximately RMB68.70 million, representing an increase of 9.7% 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 11.7% for the corresponding period in last year.

Administrative expenses

Administrative expenses increased by approximately 14.2% to approximately RMB60.94 million during the period under review. This was mainly attributable to the increase of the allowance for bad and doubtful debts.

Finance costs

During the period under review, finance costs decreased to approximately RMB4.16 million. This was primarily due to the decrease of average bank borrowings of the Group during the period under review.

Share of profit of associates

For the six months ended 30 June 2017, share of profit of associates amounted to approximately RMB9.91 million (2016 comparative figures: share of profit of approximately RMB0.15 million). The amount represented the Group's share of results of the associates located in Germany and Italy, for the period under review.

Profit attributable to the equity holders of the Company

For the six months ended 30 June 2017, profit attributable to the equity holders of the Company amounted to approximately RMB36.02 million, representing an increase of approximately 94.3% as compared to the same period last year.

Prospects

2017 is the second year of China's "13th Five-Year" Planning. China remains as the growth engine to the world economy. China is the largest machine tools consuming country. It is anticipated that the demand of machine tools from the industries of high-speed railway, transit rails, aerospace, and energy in China, especially demand of those high-end CNC machine tools, would still be great. This in turn will benefit the Group's CNC machine tools business. The Group will continue to explore and sell those high-end CNC machine tools products (production of such primarily from Germany and Italy) to the customers. The management believes that with its extensive sales network and comprehensive after-sales service, solid business foundation as well as outstanding product quality, the Group is capable of meeting customers' different needs and continue to strengthen its market position.

Looking ahead, with the current complex economic environment, the Group will continue to strengthen its business foundation under a consistent cautious manner under tough market environment, in order to weather against the volatility and uncertainty of the market condition ahead. On the other hand, the management will continue to explore and capture various opportunities for development and strategic cooperation so as to increase the competitive edge of the Group. The Group is committed to becoming an international CNC machine tools manufacturer. 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 2017, the Group's cash and cash equivalents amounted to approximately RMB139.81 million (at 31 December 2016: RMB177.95 million). As at 30 June 2017, the Group had net current assets of approximately RMB139.75 million (at 31 December 2016: RMB121.49 million) and short-term bank borrowings of approximately RMB348.84 million (at 31 December 2016: RMB350.77 million). The current ratio (total current assets to total current liabilities) of the Group as at 30 June 2017 was approximately 1.1 (at 31 December 2016: 1.1). The gearing ratio as at 30 June 2017 (total interest bearing liabilities to total assets) was approximately 18.4% (at 31 December 2016: 19.6%), indicated that the Group's overall financial position remained solid.

Capital structure

The share capital of the Company as at 30 June 2017 was HK$4,032,000 divided into 403,200,000 shares of HK$0.01 each (at 31 December 2016: HK$4,032,000 divided into 403,200,000 shares of HK$0.01 each).

Staff and remuneration policies

As at 30 June 2017, the Group employed a total of approximately 1,240 full time employees (31 December 2016: 1,300) 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 2017, the Group had capital expenditure commitments mainly for acquisition of machine and equipment of approximately RMB1.56 million (at 31 December 2016: Nil) which were contracted but not provided in the financial statements; whilst the Group had capital commitments for construction of buildings of approximately RMB2.04 million (31 December 2016: Nil). The Group had no material contingent liabilities as at 30 June 2017 (at 31 December 2016: Nil).

Charges on the group's assets

As at 30 June 2017, the Group had restricted bank deposits with an amount of approximately RMB33.34 million (at 31 December 2016: RMB33.16 million) which mainly represented deposits placed in banks for guarantees issued for finance facilities used by the Group.

Subsidiaries of the Company had pledged their land use rights and building with an aggregate carrying amount of RMB12.19 million (31 December 2016: RMB12.60 million) as at 30 June 2017 in order to secure banking facilities granted to the Group.

Interim dividend

The Board has declared an interim dividend of RMB0.05 (equivalent to approximately HK$0.0592 according to the average middle rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China at the date of this announcement) per share for the six months ended 30 June 2017 (2016: Nil), in aggregate amounting to approximately RMB20.16 million (equivalent to approximately HK$23.87 million) (2016: Nil).

The interim dividend is declared and calculated in Renminbi and will be paid in Hong Kong dollars. The dates of closure of register of members of the Company for the purpose of determining the identity of the shareholders of the Company entitled to the interim dividend and payment date will be announced later.

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 2017.

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 2017 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 1 June 2017 due to business trip. Mr. Chen Hsiang-Jung, an executive Director of the Company, took the chair of the annual general meeting pursuant to the Articles of the Association of 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. Chiang Chun-Te and Mr. Yu Yu-Tang. 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 information of the Group for the six months ended 30 June 2017. The Company's external auditor, Deloitte Touche Tomatsu, has conducted a review of the interim financial information of the Group for the six months ended 30 June 2017 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

Hong Kong, 30 August 2017

As at the date of this announcement, the Board of the Company comprises (i) five executive directors, namely Mr. Chu Chih-Yaung, Mr. Chen Hsiang-Jung, Mr. Chen Min-Ho, Mr. Wen Chi-Tang and Mr. Chiu Rung-Hsien; and (ii) three independent non-executive directors, namely Mr. Koo Fook Sun, Louis, Mr. Chiang Chun-Te and Mr. Yu Yu-Tang.