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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 2018**

#### **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 2018 together with the comparative figures for the corresponding period in 2017.

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

		<b>Six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4A	<b>558,638</b>	654,396
Cost of revenue	4B	<b>(409,529)</b>	(498,616)
Gross profit		<b>149,109</b>	155,780
Other income	5	<b>29,925</b>	23,103
Distribution and selling expenses		<b>(67,629)</b>	(68,704)
Administrative expenses		<b>(34,713)</b>	(37,756)
Research and development costs		<b>(15,030)</b>	(14,355)
Other operating expenses		<b>(688)</b>	(3,115)
Other gains and losses		<b>(16,444)</b>	(14,904)
Finance costs		<b>(6,096)</b>	(4,156)
Share of profit of joint ventures		<b>1,620</b>	261
Share of (loss) profit of associates		<b>(9,913)</b>	9,914
Profit before income tax	6	<b>30,141</b>	46,068
Income tax expense	7	<b>(10,316)</b>	(10,047)
Profit attributable to owners of the Company		<b>19,825</b>	36,021

		<b>Six months ended 30 June</b>	
		<b>2018</b>	2017
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>(Unaudited)</b>	(Unaudited)
<b>Other comprehensive income (expense):</b>			
<b><i>Items that will not be reclassified to profit or loss:</i></b>			
Share of other comprehensive income (expense) of associates		<u>41</u>	<u>(26)</u>
<b><i>Items that may be subsequently reclassified to profit or loss:</i></b>			
Share of other comprehensive income (expense) of associates		11,359	(24,876)
Exchange difference arising on translation of foreign operations		(5,874)	23,829
Net fair value gain on receivables at fair value through other comprehensive income ("FVTOCI")		1,293	–
ECL on receivables at FVTOCI		<u>2,310</u>	<u>–</u>
		<u>9,088</u>	<u>(1,047)</u>
		<u>9,129</u>	<u>(1,073)</u>
Total comprehensive income attributable to owners of the Company		<u><u>28,954</u></u>	<u><u>34,948</u></u>
Earnings per share ( <i>expressed in RMB per share</i> )			
– Basic	8	<u><u>0.05</u></u>	<u><u>0.09</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2018	31 December 2017
	<i>Notes</i>	<b><i>RMB'000</i></b> <b>(Unaudited)</b>	<b><i>RMB'000</i></b> <b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		190,459	180,401
Prepaid lease payments		121,600	123,052
Intangible assets		2,551	3,203
Investments in joint ventures		20,007	18,387
Investments in associates	13	350,596	355,917
Deferred income tax assets		27,483	22,401
		712,696	703,361
<b>Current assets</b>			
Inventories		512,065	345,626
Debtors, deposits and prepayments	10	98,405	541,941
Receivables at FVTOCI	11	443,757	–
Amounts due from customers for contract work		–	50,270
Prepaid lease payments		2,905	2,905
Amount due from ultimate holding company		1,056	1,053
Amounts due from fellow subsidiaries and associates of ultimate holding company		81	1,476
Amounts due from joint ventures		1,329	852
Amounts due from associates and subsidiaries of an associate		136,831	119,083
Restricted bank deposits		16,286	32,716
Structured deposits		–	76,140
Financial assets at fair value through profit or loss		116,700	–
Bank balances and cash		67,083	98,071
		1,396,498	1,270,133

		<b>30 June</b>	31 December
		<b>2018</b>	2017
	<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>			
Creditors, other payables and accrued charges	12	<b>267,676</b>	589,692
Contract liabilities		<b>436,592</b>	–
Amounts due to customers for contract work		–	42,813
Amount due to ultimate holding company		<b>3,005</b>	7,400
Amount due to immediate holding company		<b>1,512</b>	2,123
Amounts due to fellow subsidiaries and associates of ultimate holding company		<b>3,404</b>	3,673
Amounts due to an associate and subsidiaries of an associate		<b>32,268</b>	37,327
Amounts due to joint ventures		<b>478</b>	608
Current income tax liabilities		<b>19,392</b>	28,091
Bank borrowings		<b>472,142</b>	367,428
Warranty provision		<b>5,387</b>	5,755
		<u><b>1,241,856</b></u>	<u>1,084,910</u>
<b>Net current assets</b>		<u><b>154,642</b></u>	<u>185,223</u>
<b>Total assets less current liabilities</b>		<u><b>867,338</b></u>	<u>888,584</u>
<b>Non-current liability</b>			
Deferred income		<u><b>61,180</b></u>	<u>61,180</u>
<b>Net assets</b>		<u><b>806,158</b></u>	<u>827,404</u>
<b>Capital and Reserves</b>			
Share capital		<b>4,022</b>	4,022
Share premium		<b>82,281</b>	82,281
Capital reserves		<b>77,338</b>	77,338
Other reserves		<b>51,384</b>	39,576
Retained earnings		<u><b>591,133</b></u>	<u>624,187</u>
<b>Total equity</b>		<u><b>806,158</b></u>	<u>827,404</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 (the “Stock Exchange”) 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 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”), which is also the functional currency of the Company. These condensed consolidated financial statements were approved for issue by the Board of Directors on 30 August 2018.

### 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 (“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 “Listing Rules”). The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, 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 except for certain financial instruments which are measured at fair value.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

## Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA that are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

### Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	31 December 2017 (Audited) RMB'000	HKFRS 9 RMB'000	HKFRS 15 RMB'000	1 January 2018 (Restated) RMB'000
<b>Non-current assets</b>				
Deferred income tax assets	22,401	619	4,054	27,074
Others with no adjustments	680,960	–	–	680,960
	<u>703,361</u>	<u>619</u>	<u>4,054</u>	<u>708,034</u>
<b>Current assets</b>				
Inventories	345,626	–	120,857	466,483
Debtors, deposits and prepayments	541,941	(477,464)	–	64,477
Receivables at FVTOCI	–	473,810	–	473,810
Amounts due from customers for contract work	50,270	–	(50,270)	–
Structured deposits	76,140	(76,140)	–	–
Financial assets at FVTPL	–	76,140	–	76,140
Others with no adjustments	256,156	–	–	256,156
	<u>1,270,133</u>	<u>(3,654)</u>	<u>70,587</u>	<u>1,337,066</u>

	<b>31 December 2017</b>	<b>HKFRS 9</b>	<b>HKFRS 15</b>	<b>1 January 2018</b>
	<b>(Audited)</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>(Restated)</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current liabilities</b>				
Creditors, other payables and accrued charges	589,692	–	(296,284)	293,408
Contract liabilities	–	–	436,711	436,711
Amounts due to customers for contract work	42,813	–	(42,813)	–
Others with no adjustments	452,405	–	–	452,405
	<u>1,084,910</u>	<u>–</u>	<u>97,614</u>	<u>1,182,524</u>
<b>Net current assets</b>	<u>185,223</u>	<u>(3,654)</u>	<u>(27,027)</u>	<u>154,542</u>
<b>Total assets less current liabilities</b>	<u>888,584</u>	<u>(3,035)</u>	<u>(22,973)</u>	<u>862,576</u>
<b>Non-current liability</b>				
Deferred income	61,180	–	–	61,180
<b>Net assets</b>	<u><u>827,404</u></u>	<u><u>(3,035)</u></u>	<u><u>(22,973)</u></u>	<u><u>801,396</u></u>
<b>Capital and reserves</b>				
Other reserves	39,576	2,720	–	42,296
Retained earnings	624,187	(5,755)	(22,973)	595,459
Others with no adjustments	163,641	–	–	163,641
<b>Total equity</b>	<u><u>827,404</u></u>	<u><u>(3,035)</u></u>	<u><u>(22,973)</u></u>	<u><u>801,396</u></u>

#### 4A. REVENUE FROM GOODS

##### Disaggregation of revenue

For the six months ended 30 June 2018

	Machine Tools <i>RMB'000</i>	Parking Garage Structures <i>RMB'000</i>	Forklift Trucks <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Types of goods (recognised at a point in time)</b>				
Machine tools	471,784	–	–	471,784
Parking garage structures	–	54,096	–	54,096
Forklift trucks	–	–	32,758	32,758
	<u>471,784</u>	<u>54,096</u>	<u>32,758</u>	<u>558,638</u>

The Group's sales are made in the PRC.

#### 4B. 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 for each reportable segment and total assets for each reportable segment.

<b>Six months ended 30 June 2018 (unaudited)</b>	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>
Revenue (all from external sales)	471,784	54,096	32,758	558,638
Cost of revenue	<u>(337,150)</u>	<u>(43,270)</u>	<u>(29,109)</u>	<u>(409,529)</u>
Segment profit	<u>134,634</u>	<u>10,826</u>	<u>3,649</u>	<u>149,109</u>



Six months ended 30 June 2017 (unaudited)	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>
Revenue (all from external sales)	496,774	105,401	52,221	654,396
Cost of revenue	<u>(364,954)</u>	<u>(87,682)</u>	<u>(45,980)</u>	<u>(498,616)</u>
Segment profit	<u>131,820</u>	<u>17,719</u>	<u>6,241</u>	<u>155,780</u>

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

## 5. OTHER INCOME

	Six months ended 30 June	
	2018 <i>RMB'000</i> (Unaudited)	2017 <i>RMB'000</i> (Unaudited)
Interest income	1,704	1,425
Sales of materials	6,736	3,334
Repair income	5,585	5,870
Government subsidies*	13,266	10,340
Rental income	248	103
Others	<u>2,386</u>	<u>2,031</u>
	<u>29,925</u>	<u>23,103</u>

\* *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 which had no condition imposed in the subsidy notice or relevant law and regulations.*

## 6. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	409,529	447,904
Allowance for bad and doubtful debts, net	4,597	9,678
Amortisation of intangible assets	732	692
Amortisation of prepaid lease payment	1,452	1,580
Depreciation of property, plant and equipment	10,633	11,561
	<hr/>	<hr/>
Total depreciation and amortisation	12,817	13,833
Capitalised in inventories	(5,573)	(4,921)
	<hr/>	<hr/>
	7,244	8,912
<b>Analysed as:</b>		
Charged in selling expense	466	550
Charged in administrative expenses	4,801	6,906
Charged in other operating expense	1,132	348
Charged in research expenditure	845	1,108
	<hr/>	<hr/>
	7,244	8,912
Allowance for inventories, net	838	1,426
Net gain on disposal of property, plant and equipment	(117)	(162)
Net exchange loss	11,964	6,234
Provision for warranty	2,120	2,917
Direct operating expenses incurred for rental income	611	543
	<hr/> <hr/>	<hr/> <hr/>

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current Enterprise income tax ("EIT")	10,953	11,206
Deferred tax	(637)	(1,159)
	<hr/>	<hr/>
	10,316	10,047
	<hr/> <hr/>	<hr/> <hr/>

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 status in 2018, 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 2018. Accordingly, the applicable tax rate for Hangzhou Good Friend for current review period is 15% (six months ended 30 June 2017:15%).

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. In the interim period, no dividend was declared and paid by the PRC subsidiaries.

## 8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company amounted to RMB19,825,000 (six months period ended 30 June 2017: RMB36,021,000) by the number of ordinary shares in issue during the period of 403,200,000 shares (six months period ended 30 June 2017: 403,200,000 shares).

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Basic earnings per share ( <i>RMB per share</i> )	<b><u>0.05</u></b>	<b><u>0.09</u></b>

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

## 9. DIVIDENDS

During the current interim period, a final dividend of RMB0.06 per ordinary share in respect of the year ended in 31 December 2017 (six months ended 30 June 2017: Nil) was declared and paid to owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to RMB24,192,000 (six months ended 30 June 2017: Nil).

At a meeting of the board of directors held on 30 August 2018, the directors of the Company have declared an interim dividend of RMB0.05 per share for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB0.05). The proposed interim dividend was not recognised as dividend payable in the condensed consolidated financial statements for the six months ended 30 June 2018.

## 10. DEBTORS, DEPOSITS AND PREPAYMENTS

	As of	
	30 June 2018 <i>RMB'000</i> (Unaudited)	31 December 2017 <i>RMB'000</i> (Audited)
Trade receivables and bills receivables	–	515,275
<i>Less:</i> provision for impairment of trade receivables	–	(37,811)
	<hr/>	<hr/>
Trade receivables	–	477,464
Prepayments	42,595	41,662
Others	55,810	22,815
	<hr/>	<hr/>
Total debtors, deposits and prepayments	<b>98,405</b>	<b>541,941</b>
	<hr/> <hr/>	<hr/> <hr/>

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

	As of	
	30 June 2018 <i>RMB'000</i> (Unaudited)	31 December 2017 <i>RMB'000</i> (Audited)
Current-30 days	–	397,841
31-60 days	–	6,943
61-90 days	–	8,576
91-180 days	–	20,052
Over 180 days	–	81,863
	<hr/>	<hr/>
Trade debtors and bills receivables	–	515,275
	<hr/> <hr/>	<hr/> <hr/>

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

## 11. RECEIVABLES AT FVTOCI

As of  
30 June 2018  
RMB'000  
(Unaudited)

Receivables at FVTOCI comprise:

Trade receivables	356,807
Trade receivables supported by bills	86,950
	<hr/>
	443,757

The aged analysis of receivables at FVTOCI: (note)

Current – 30 days	334,523
31 – 60 days	6,023
61 – 90 days	7,487
91 – 180 days	15,923
Over 180 days	79,801
	<hr/>
	443,757

*Note:* The aged analysis of receivables at FVTOCI, net of fair value remeasurement under the requirement of HKFRS 9, was presented based on the past due date at the end of the reporting period.

## 12. CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES

As of  
30 June 2018  
RMB'000  
(Unaudited)

31 December 2017  
RMB'000  
(Audited)

Trade creditors	178,132	196,462
Advance deposits from customers	–	296,284
Other payables	48,542	54,170
Accrued expenses	41,002	42,776
	<hr/>	<hr/>
Total creditors, other payables and accrued charges	267,676	589,692

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

	As of	
	30 June 2018 <i>RMB'000</i> (Unaudited)	31 December 2017 <i>RMB'000</i> (Audited)
Current – 30 days	116,230	113,021
31 – 60 days	22,724	51,625
61 – 90 days	5,924	7,592
91 – 180 days	12,597	12,499
Over 180 days	20,657	11,725
	<u>178,132</u>	<u>196,462</u>

### 13. INVESTMENTS IN ASSOCIATES

	As of	
	30 June 2018 <i>RMB'000</i> (Unaudited)	31 December 2017 <i>RMB'000</i> (Audited)
Cost of unlisted investments in associates	415,701	415,701
Share of post-acquisition loss and other comprehensive income	(90,656)	(92,143)
Exchange difference arising on translation of foreign operations	25,551	32,359
	<u>350,596</u>	<u>355,917</u>

The Group's share of the results in associates for the six months ended 30 June 2018 and the aggregate assets and liabilities of the associates as of 30 June 2018 are shown below:

	<i>RMB'000</i>
Assets	5,381,154
Liabilities	4,746,967
Revenue	2,167,394
Share of loss	(9,913)
Share of other comprehensive income (*)	<u>11,400</u>

\* *The share of other comprehensive income represents the aggregate of the share of exchange differences on translation of foreign operations of RMB11,359,000 and the re-measurement gains on defined benefit plans of RMB41,000.*

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

#### ***Revenue***

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 6.8% in the first half of 2018, representing a generally stable economic development in China.

For the six months ended 30 June 2018, the Group recorded revenue of approximately RMB558.64 million, representing a decrease of approximately 14.6% as compared to the corresponding period in 2017. During the period under review, sales revenue of CNC machine tools business amounted to approximately RMB471.78 million, representing a decrease of 5.0% as compared to the corresponding period in last year. Revenue of CNC machine tools accounted for approximately 84.4% 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 37.3%, as compared to corresponding period in last year, to approximately RMB32.76 million and approximately 5.9% of the Group's total revenue. Moreover, sales revenue of parking garage structures amounted to approximately RMB54.10 million during the period under review, representing a decrease of approximately 48.7% as compared to corresponding period in last year and accounted for approximately 9.7% of the total revenue.

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

During the period under review, gross profit of the Group amounted to approximately RMB149.11 million. Overall gross profit margin was approximately 26.7%, compared to 23.8% for the corresponding period in last year. The Group continued to improve its production efficiency and reduce its production cost during the period under review. As a result, the overall gross profit margin for the period under review increased.

#### **Distribution and selling expenses**

Distribution and selling expenses for the six months ended 30 June 2018 amounted to approximately RMB67.63 million, representing a decrease of 1.6% 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 12.1%, compared to 10.5% for the corresponding period in last year.

## **Administrative expenses**

Administrative expenses decreased by approximately 8.1% to approximately RMB34.71 million during the period under review. This was mainly attributable to the stringent control of the expenses by the management.

## **Finance costs**

During the period under review, finance costs increased to approximately RMB6.10 million. This was primarily due to the increase of average bank borrowings of the Group during the period under review.

## **Share of (loss)/profit of associates**

For the six months ended 30 June 2018, share of loss of associates amounted to approximately RMB9.91 million (2017 comparative figures: share of profit of approximately RMB9.91 million). The amount represented the Group's share of results of the associate located in Germany for the period under review.

## **Profit attributable to the equity holders of the Company**

For the six months ended 30 June 2018, profit attributable to the equity holders of the Company amounted to approximately RMB19.83 million, representing a decrease of approximately 45.0% as compared to the same period last year.

## **Prospects**

Tension on trade between China and the United States will be a key uncertainty for China's economic growth. Therefore the management remain cautious about the prospects of the economy of China for the second half of 2018. 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 explore and seize various opportunities for development and strategic cooperation with a view to bringing better returns to shareholders. The management is optimistic on the Group's long-term development prospects.



## **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 2018, the Group's cash and cash equivalents amounted to approximately RMB183.78 million (at 31 December 2017: RMB174.21 million). As at 30 June 2018, the Group had net current assets of approximately RMB154.64 million (at 31 December 2017: RMB185.22 million) and short-term bank borrowings of approximately RMB472.14 million (at 31 December 2017: RMB367.43 million). The current ratio (total current assets to total current liabilities) of the Group as at 30 June 2018 was approximately 1.1 (at 31 December 2017: 1.2). The gearing ratio as at 30 June 2018 (total interest bearing liabilities to total assets) was approximately 22.4% (at 31 December 2017: 18.6%), indicated that the Group's overall financial position remained solid.

## **Capital structure**

The share capital of the Company as at 30 June 2018 was HK\$4,032,000 divided into 403,200,000 shares of HK\$0.01 each (at 31 December 2017: HK\$4,032,000 divided into 403,200,000 shares of HK\$0.01 each).

## **Staff and remuneration policies**

As at 30 June 2018, the Group employed a total of approximately 1,180 full time employees (31 December 2017: 1,240) 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 2018, the Group had capital expenditure commitments mainly for construction of buildings of approximately RMB92.42 million (at 31 December 2017: RMB2.62 million) which were contracted but not provided in the financial statements. The Group had no material contingent liabilities as at 30 June 2018 (at 31 December 2017: Nil).

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

As at 30 June 2018, the Group had restricted bank deposits with an amount of approximately RMB16.29 million (at 31 December 2017: RMB32.72 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 RMB11.37 million (31 December 2017: RMB11.78 million) as at 30 June 2018 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\$0.0576 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 2018 (2017: RMB0.05), in aggregate amounting to approximately RMB20.16 million (equivalent to approximately HK\$23.22 million) (2017: RMB20.16 million).

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 2018.

## **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 2018 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 7 June 2018 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 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 2018. 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 2018 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 2018

*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.*