

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
2021

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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

United Overseas Bank Limited

Industrial and Commercial Bank of China

KGI Bank

Mega International Commercial Bank

Taishin International Bank

Bank SinoPac

Bangkok Bank

STOCK CODE

2398

WEBSITE

<http://www.goodfriend.hk>

MANAGEMENT DISCUSSION AND ANALYSIS

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

Financial Review

Revenue

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

Gross profit and margin

During the period under review, gross profit of the Group amounted to approximately RMB107.51 million. Overall gross profit margin was approximately 22.7%, which remained fairly stable when compared with the corresponding period in last year.

Distribution and selling expenses

Distribution and selling expenses for the six months ended 30 June 2021 amounted to approximately RMB49.57 million, representing an increase of 12.4% as compared to corresponding period in last year. During the period under review, distribution and selling expenses as a percentage of the Group's revenue was approximately 10.5%, compared to 11.5% for the corresponding period in last year.

Administrative expenses

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

Finance costs

During the period under review, finance costs decreased to approximately RMB7.59 million. This was primarily due to the decrease of bank borrowings interest rates during the period under review.

Share of loss of associates

For the six months ended 30 June 2021, share of loss of associates amounted to approximately RMB61.24 million (2020 comparative figures: share of loss of approximately RMB111.83 million). The amount represented the Group's share of results of the associate located in Germany "FFG European and American Holdings GmbH" for the period under review.

Loss attributable to owners of the Company

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

Prospects

In the first half of 2021, China's economy continued to recover from the impact of the COVID-19. The Group's CNC machine tools business sustained high order intake momentum for the first half of 2021, with the revenue of this business recorded notable growth as compared to the corresponding period last year. Though the Group recorded loss during the period under review which was due to the share of loss of associates located in Germany, the share of loss of associates is a non-cash item and hence there will be no effect on the operating cash flow of the Group. Moreover, before including this item, the Group recorded a profit before tax of approximately RMB28.42 million for the six months ended 30 June 2021. The management therefore considers that the overall financial position of the Group remain solid.

Looking ahead, the Group will keep close track of the global economic trend and market situation in order to capture business opportunities and reduce operation risks. On the other hand, the Group will continue to improve its operational efficiency through efficient management; whilst the management will continue to control operating costs for achieving better operating results of the Group. The management is therefore optimistic on the long-term development prospects of the Group.

Liquidity and financial resources

The working capital of the Group was mainly financed by internal cash flows generated from its operation and its existing banking facilities. As at 30 June 2021, the Group's bank and cash balances amounted to approximately RMB40.03 million (at 31 December 2020: RMB104.01 million). As at 30 June 2021, the Group had net current assets of approximately RMB120.70 million (at 31 December 2020: RMB89.65 million) and short-term bank borrowings of approximately RMB397.37 million (at 31 December 2020: RMB423.81 million). The current ratio (total current assets to total current liabilities) of the Group as at 30 June 2021 was approximately 1.1 (at 31 December 2020: 1.1). The gearing ratio as at 30 June 2021 (total interest bearing liabilities to total assets) was approximately 22.6% (at 31 December 2020: 21.9%), indicated that the Group's overall financial position remained solid.

Capital structure

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

Staff and remuneration policies

As at 30 June 2021, the Group employed a total of approximately 940 full time employees (31 December 2020: 950) in Hong Kong and the PRC. The Group's emolument policies are formulated on the basis of market trends, future plans and the performance of individuals, which will be reviewed periodically. Apart from provident fund scheme and state-managed social welfare scheme, share options (if any) may also be awarded to employees according to assessment of individuals' performance.

Capital commitments and contingencies

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

Charges on the group's assets

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

A subsidiary of the Company had pledged their land use rights and building with an aggregate carrying amount of RMB79.65 million (31 December 2020: RMB80.63 million) as at 30 June 2021 in order to secure other borrowings granted to the Group.

DISCLOSURE OF INTERESTS

Directors' interest in shares

As at 30 June 2021, 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 of Shares	Approximate percentage of the issued shares as at 30 June 2021
Mr. Chu Chih-Yaung ("Mr. Chu")	Interest in controlled corporation	20,000,000 (Note 1)	4.96%
Mr. Yu Yu-Tang ("Mr. Yu")	Beneficial owner	20,000 (Note 2)	0.00%

Notes:

- 1 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.
- 2 These 20,000 Shares represented by 20,000 units of Taiwan depositary receipts issued and listed on the Taiwan Stock Exchange and held by Mr. Yu.

(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 2021
Mr. Chu	Taiwan FF	Beneficial owner	9,905,473 ordinary shares	9.67%
	Taiwan FF	Spouse interest (Note 1)	2,210,969 ordinary shares	2.16%
	Taiwan FF	Interest of controlled corporation (Note 2)	15,232,267 ordinary shares	14.87%
	Fair Fine (Hangzhou) Industrial Co., Ltd. (Note 3)	Beneficial owner	750 ordinary shares	0.03%

Notes:

1. Ms. Wang Tz-Ti ("Ms. Wang"), the spouse of Mr. Chu, held 2.16% 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. Mr. Chu held more than one-third of issued shares/controlled board of certain corporations which held in aggregate 14.87% issued share capital of Taiwan FF. Accordingly, Mr. Chu was deemed to be interested in all the shares held by these corporations in Taiwan FF under the SFO.
3. 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 SFO.

Save as disclosed above, as at 30 June 2021, 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 2021, 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 2021, 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 2021
Good Friend (H.K.) Corporation Limited ("Hong Kong GF")	Beneficial owner	232,000,000 shares (Note)	57.56%
Taiwan FF	Beneficial owner	1,806,000 shares	0.45%
	Interest of controlled corporation	232,000,000 shares (Note)	57.56%

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 2021.

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 2020 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 2021 (2020 interim dividend: Nil).

Proposed privatisation

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

Purchase, redemption or sale of listed securities of the Company

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2021.

Model code for securities transactions by directors

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

Corporate governance

The Company has complied with the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2021 except the following.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board, Mr. Chu Chih-Yaung, was unable to attend the annual general meeting of the Company held on 30 June 2021 due to other business engagements. Mr. Koo Fook Sun, Louis, an independent non-executive Director of the Company, took the chair of the annual general meeting pursuant to the articles of association of the Company.

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Chen Hsiang-Jung, the then Chief Executive Officer and executive Director of the Company was pass away on 8 November 2018. Mr. Chu Chih-Yaung, the Chairman of the Board, was appointed as Chief Executive Officer on 7 December 2018. Although these two roles are performed by the same individual since 7 December 2018, certain responsibilities have been shared with other executive Directors to balance the power and authority. In addition, all major decisions have been made in consultation with members of the Board as well as senior management. The Board has three independent non-executive Directors who offer different independent perspectives. Therefore, the Board is of the view that there is adequate balance of power and safeguards in place. The Board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Company.

Audit committee

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code which comprises three independent non-executive Directors, namely Mr. Koo Fook Sun, Louis (as chairman), Mr. Yu Yu-Tang and Mr. Kao Wen-Cheng. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee has reviewed the unaudited financial results of the Group for the six months ended 30 June 2021.

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, 31 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4	472,756	382,660
Cost of revenue	5	<u>(365,250)</u>	<u>(294,324)</u>
Gross profit		107,506	88,336
Other income	6	26,747	26,656
Distribution and selling expenses		(49,567)	(44,085)
Administrative expenses		(28,488)	(29,062)
Research and development costs		(19,665)	(10,600)
Reversal of impairment loss on trade receivables and contract assets		2,605	–
Other gains and losses		(2,745)	3,836
Other operating expenses		–	(2,022)
Finance costs		(7,590)	(9,646)
Share of loss of joint ventures		(384)	(705)
Share of loss of associates	13	<u>(61,243)</u>	<u>(111,828)</u>
Loss before income tax	7	(32,824)	(89,120)
Income tax expense	8	<u>(6,999)</u>	<u>(6,167)</u>
Loss attributable to owners of the Company		<u>(39,823)</u>	<u>(95,287)</u>
Other comprehensive income: <i>Items that will not be reclassified to profit or loss:</i>			
Share of other comprehensive income of associates		<u>44</u>	<u>(137)</u>

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<i>Items that may be reclassified to profit or loss:</i>			
Share of other comprehensive income of associates		7,391	(1,423)
Exchange difference arising on translation of foreign operations		<u>(19,420)</u>	<u>3,260</u>
		<u>(12,029)</u>	<u>1,837</u>
		<u>(11,985)</u>	<u>1,700</u>
Total comprehensive income attributable to owners of the Company		<u>(51,808)</u>	<u>(93,587)</u>
Loss per share (expressed in RMB per share)			
– Basic	9	<u>(0.10)</u>	<u>(0.24)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	11	195,492	204,098
Right-of-use assets	11	121,205	122,251
Intangible assets		3,044	1,047
Investments in joint ventures	12	21,877	22,261
Investments in associates	13	15,046	88,274
Deferred tax assets	14	27,738	28,551
		<u>384,402</u>	<u>466,482</u>
Current assets			
Inventories		399,810	431,164
Trade and other receivables and prepayments	15	207,680	166,688
Contract assets	16	69,077	52,653
Loans receivable		47,593	49,691
Receivables at FVTOCI		108,311	120,105
Amount due from ultimate holding company	23	3,824	1,008
Amount due from immediate holding company		136	8
Amount due from fellow subsidiaries and associates of ultimate holding company	23	30,299	28,087
Amounts due from joint ventures	23	455	644
Amounts due from associates and subsidiaries of associates	23	397,479	370,849
Restricted bank balances		68,089	139,426
Bank and cash balances		40,031	104,014
		<u>1,372,784</u>	<u>1,464,337</u>

	<i>Notes</i>	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Current liabilities			
Trade and other payables and accrued expenses	18	439,630	471,137
Contract liabilities		343,685	260,711
Deferred income	21	1,410	1,410
Amount due to ultimate holding company	23	153	1,503
Amount due to immediate holding company	23	15,599	15,627
Amounts due to fellow subsidiaries	23	1,985	2,005
Amounts due to joint ventures	23	437	517
Amounts due to an associate	23	22,886	24,111
Lease liabilities		2,431	2,623
Provision for litigation claim		–	36,335
Refund liabilities		–	106,211
Current tax liabilities		23,087	25,272
Bank and other borrowings	19	397,368	423,814
Warranty provision		3,413	3,409
		<u>1,252,084</u>	<u>1,374,685</u>
Net current assets		<u>120,700</u>	<u>89,652</u>
Total assets less current liabilities		<u>505,102</u>	<u>556,134</u>
Non-current liabilities			
Other borrowings		39,421	38,506
Deferred income	21	71,565	72,270
Lease liabilities		3,055	2,489
		<u>114,041</u>	<u>113,265</u>
Net assets		<u><u>391,061</u></u>	<u><u>442,869</u></u>
Capital and Reserves			
Share capital	20	4,021	4,021
Share premium		82,183	82,183
Capital reserves		77,338	77,338
Other reserves		41,173	53,202
Retained earnings		186,346	226,125
Total equity		<u><u>391,061</u></u>	<u><u>442,869</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	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>
At 1 January 2020	4,021	82,183	77,338	66,454	478,483	708,479
Loss for the period					(95,287)	(95,287)
Other comprehensive income						
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
	-	-	-	1,837	(137)	1,700
Total comprehensive income	-	-	-	1,837	(95,424)	(93,587)
At 30 June 2020 (unaudited)	4,021	82,183	77,338	68,291	383,059	614,892
At 31 December 2020 (audited)	4,021	82,183	77,338	53,202	226,125	442,869

	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					(39,823)	(39,823)
Other comprehensive income						
Share of other comprehensive income of associates (<i>note 13</i>)	–	–	–	7,391	44	7,435
Exchange difference arising on translation of foreign operations	–	–	–	(19,420)	–	(19,420)
	–	–	–	(12,029)	44	(11,985)
Total comprehensive income	–	–	–	(12,029)	(39,779)	(51,808)
At 30 June 2021 (unaudited)	4,021	82,183	77,338	41,173	186,346	391,061

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Operating activities		
Cash generated from operations	70,644	42,718
Income tax and withholding tax paid	(6,999)	(6,167)
Net cash generated from operating activities	63,645	36,551
Investing activities		
Acquisition of property, plant and equipment, and intangible assets	(5,838)	(4,042)
Repayment from associates and subsidiaries of an associate	11,975	36,352
Advance to associates and subsidiaries of an associate	(39,830)	(149,199)
Proceeds from disposal of property, plant and equipment	1,855	4
Interest received	1,323	2,174
Placement of restricted bank balances	–	(5,131)
Withdrawal of restricted bank balances	71,337	–
Net cash generated from/(used in) investing activities	40,822	(119,842)

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Financing activities		
Proceeds from bank borrowings	652,629	1,462,804
Repayments of bank borrowings	(679,075)	(1,367,658)
Repayments of lease liabilities	(1,508)	(1,891)
Government subsidy received	12,386	6,006
Interest paid	(7,590)	(9,646)
Settlement of litigation claims and liabilities	(142,546)	–
Net cash (used in)/generated from financing activities	<u>(165,704)</u>	<u>89,615</u>
Net (decrease)/increase in cash and cash equivalents	(61,237)	6,324
Cash and cash equivalents at the beginning of the period	104,014	74,860
Effect of foreign exchange rate changes	(2,746)	(1,889)
Cash and cash equivalent at the end of the period, represented by bank and cash balances	<u><u>40,031</u></u>	<u><u>79,295</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 31 August 2021.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3. PRINCIPAL ACCOUNTING POLICIES

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

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE FROM GOODS

Disaggregation of revenue

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Machine tools	410,684	293,710
Parking garage structures	62,072	74,945
Forklift trucks	–	14,005
	<u>472,756</u>	<u>382,660</u>

5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors (the "Executive Directors") of the Company. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports reviewed by the Executive Directors that are used to make strategic decisions.

The Executive Directors consider that the Group has three reportable segments: (1) machine tools, (2) parking garage structures, and (3) forklift trucks.

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

The Group does not allocate distribution and selling expenses, administrative expenses, other operating expenses or assets to its segments, as the Executive Directors do not use this information to allocate resources to or evaluate the performance of the operating segments. Therefore, the Group does not report a measure of profit and total assets for each reportable segment.

	Machine 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 2021 (unaudited)				
Revenue (all from external sales)	410,684	62,072	–	472,756
Cost of revenue	(309,607)	(54,789)	(854)	(365,250)
Segment profit	101,077	7,283	(854)	107,506

	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

Majority of the Group's operations and assets are located in the PRC and the Group mainly sells products 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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Sales of raw materials	3,532	2,341
Government subsidies related to income*	12,386	6,006
Repair income	7,669	6,491
Rental income	437	621
Interest income	1,323	2,174
Consultancy income	–	8,368
Others	1,400	655
	<u>26,747</u>	<u>26,656</u>

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

7. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Depreciation of right-of-use assets	2,885	3,248
Depreciation of property, plant and equipment	8,195	8,511
Amortisation of intangible assets	497	295
Total depreciation and amortization	11,577	12,054
Capitalised in inventories	(4,074)	(4,239)
	<u>7,503</u>	<u>7,815</u>
Analysed as:		
Charged in selling expense	435	571
Charged in administrative expenses	6,095	5,644
Charged in other expenses	645	1,358
Charged in research expenditure	328	242
	<u>7,503</u>	<u>7,815</u>
Cost of inventories recognised as an expense	345,370	294,324
Net (reversal of inventories written off)/written off of inventories	(193)	1,253
Net loss on disposal of property, plant and equipment	61	387
Net exchange loss	2,745	1,889
Provision for warranty	2,503	1,151
	<u><u>345,370</u></u>	<u><u>294,324</u></u>

8. INCOME TAX EXPENSE

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

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

EIT is provided at 25% for enterprises in the PRC except for Hangzhou Good Friend Precision Machinery Co., Ltd. ("Hangzhou Good Friend"). Hangzhou Good Friend renewed its New and High-Tech Enterprise status in 2020, which was approved by the relevant government authorities, and it is entitled to a reduced tax rate of 15% for a three-year period commencing from 2020. Accordingly, the applicable tax rate for Hangzhou Good Friend for the current period under review is 15% (six months ended 30 June 2020: 15%).

According to Detailed Implementation Regulations for implementation of the EIT law of the PRC issued on 6 December 2007, dividends paid out by companies established in the PRC to their then foreign investors is subject to 10% withholding tax from 1 January 2008 onwards. A lower withholding tax rate may be applied if there is a tax arrangement between Mainland China and the jurisdiction of the foreign investors. Under the Arrangement between the Mainland China and the Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, or China-HK Tax Arrangement, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding rate of 5%.

In the current interim period, the directors of the Company have assessed that no dividends will be declared by any of the PRC subsidiaries in the foreseeable future so it is concluded that no withholding tax shall be accrued on the undistributed retained earnings of the PRC subsidiaries as the Group is able to control the timing of the reversal of such temporary differences and it is probable that such temporary differences would not be reversed in foreseeable future.

9. LOSS PER SHARE

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

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

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

10. DIVIDENDS

During the current interim period, no dividend in respect of the year ended 31 December 2020 (six months ended 30 June 2020: Nil) was declared and paid to the owners of the Company.

No dividend was paid, declared or proposed during the current interim period. The directors of the Company have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2020: Nil).

11. 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 RMB1,916,000 (six months ended 30 June 2020: RMB391,000) for proceeds of RMB1,855,000 (six months ended 30 June 2020: RMB4,000), resulting in a loss on disposal of RMB61,000 (six months ended 30 June 2020: loss on disposal of RMB387,000). In addition, the Group spent RMB1,500,000 (six months ended 30 June 2020: RMB1,180,000) 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 RMB121,205,000 and lease liabilities of RMB5,486,000.

12. INVESTMENTS IN JOINT VENTURES

	As at	
	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Cost of unlisted investments in joint ventures	27,666	27,666
Share of post-acquisition losses	(5,789)	(5,405)
	<u>21,877</u>	<u>22,261</u>

13. INVESTMENTS IN ASSOCIATES

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

13. INVESTMENTS IN ASSOCIATES (Continued)

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

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

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

14. DEFERRED TAXATION

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

	Impairment on trade receivables and contract assets <i>RMB'000</i>	Impairment on 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>
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)	<u>3,713</u>	<u>1,655</u>	<u>766</u>	<u>16,520</u>	<u>4,784</u>	<u>27,438</u>
As at 1 January 2021 (audited)	4,830	1,840	519	16,167	5,195	28,551
Charge to profit or loss	(726)	(91)	4	–	–	(813)
As at 30 June 2021 (unaudited)	<u>4,104</u>	<u>1,749</u>	<u>523</u>	<u>16,167</u>	<u>5,195</u>	<u>27,738</u>

15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	174,048	168,234
Less: provision for impairment of trade receivables	<u>(27,900)</u>	<u>(39,846)</u>
	146,148	128,388
Prepayments	19,443	11,224
Other receivables	<u>42,089</u>	<u>27,076</u>
Total trade and other receivables and prepayments	<u><u>207,680</u></u>	<u><u>166,688</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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0 – 30 days	21,268	16,127
31 – 60 days	14,153	11,620
61 – 90 days	1,799	1,631
91 – 180 days	24,261	21,304
Over 180 days	<u>84,667</u>	<u>77,706</u>
	<u><u>146,148</u></u>	<u><u>128,388</u></u>

16. CONTRACT ASSETS

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Arising from revenue from:		
– Machine Tools	42,318	30,498
– Parking Garage Structures	26,759	22,155
	<u>69,077</u>	<u>52,653</u>
Less: impairment on contract assets	<u>–</u>	<u>–</u>
	<u>69,077</u>	<u>52,653</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 2021 are the same as those used in the Group’s annual financial statements for the year ended 31 December 2020.

18. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

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

The Group normally received credit terms of 30 to 90 days from its suppliers. The aging analysis of trade payables and bills payable presented based on maturity date is as follows:

	As at	
	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
0 – 30 days	98,796	100,386
31 – 60 days	75,348	78,736
61 – 90 days	69,413	68,407
91 – 180 days	119,216	118,333
Over 180 days	16,281	21,951
	<u>379,054</u>	<u>387,813</u>

19. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB652,629,000 (six months ended 30 June 2020: RMB1,462,804,000). 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 <i>'000</i>	Nominal value <i>RMB'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 January 2020 (audited), 30 June 2020 (unaudited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	<u>1,000,000</u>	<u>10,211</u>
Issued and fully paid:		
As at 31 December 2020 (audited) and 30 June 2021 (unaudited)	<u>403,074</u>	<u>4,021</u>

21. DEFERRED INCOME

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Assets related government grants	<u>72,975</u>	<u>73,680</u>
Analysed as:		
Current liabilities	1,410	1,410
Non-current liabilities	<u>71,565</u>	<u>72,270</u>
	<u>72,975</u>	<u>73,680</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 from the local government 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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Capital expenditure contracted for but not provided in respect of construction of plant	<u>24,246</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	
			2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Ultimate holding company				
Fair Friend Enterprise Company Limited ("Fair Friend")	Ultimate holding company	Purchase of goods	4,855	11,516
		Purchase of service	415	815
Immediate holding company				
Good Friend (H.K.) Corporation Limited ("Hong Kong GF")	Immediate holding company	Purchase of goods	24,987	15,914
Fellow subsidiaries and associates of ultimate holding company				
Hangzhou Feeler Takamatsu Machinery Co., Ltd. ("Feeler Takamatsu")	Associate of ultimate holding company	Sales of service	686	296
		Rental income	21	22
		Purchase of goods	540	659
FFG DMC Co., Ltd ("FFG DMC")	Fellow subsidiary	Sales of goods	43	-
		Purchase of goods	7,286	3,537
SMS Holding Co., Inc.	Fellow subsidiary	Sales of goods	-	209

23. RELATED PARTY TRANSACTIONS (Continued)

(1) Transactions and balances (Continued)

Transactions (Continued)

Name of company	Relationship	Nature of balances	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Joint ventures				
Anest Iwata Feeler Corporation ("AIF")	Joint venture	Sales of service	464	501
		Rental income	23	23
Hangzhou Feeler Mectron Machinery Co., Ltd. ("Feeler Mectron")	Joint venture	Sales of service	134	181
		Purchase of goods	–	572
		Rental income	37	9
Hangzhou Union Friend Machinery Co., Ltd. ("UFM")	Joint venture	Purchase of goods	1,066	898
		Sales of service	71	48
		Interest income	4	8
Hangzhou Nippon Cable Feeler Corporation ("Nippon Cable Feeler")	Joint venture	Purchase of service	34	8
		Sales of service	11	11
Associates and subsidiary of an associate				
FFG Europe & Americas (Shanghai) IAS Co., Ltd. (FFG Shanghai)	Subsidiary of an associate	Interest income	587	367
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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Ultimate holding company				
Fair Friend	Ultimate holding company	Trade payables <i>(note(a))</i>	(153)	(1,503)
		Advance to <i>(note(b))</i>	3,824	1,008
Amount due from the ultimate holding company			3,824	1,008
Amount due to the ultimate holding company			(153)	(1,503)
Immediate holding company				
Hong Kong GF	Immediate holding company	Other receivables	136	8
		Trade payables <i>(note(a))</i>	(3,528)	(3,556)
		Advance from <i>(note(b))</i>	(12,071)	(12,071)
Amount due from immediate holding company			136	8
Amount due to the immediate holding company			(15,599)	(15,627)
Fellow subsidiaries and associates of the ultimate holding company				
Sanco Machine & Tools Corp.	Fellow subsidiary	Other receivables	-	127
		Trade payables <i>(note(a))</i>	(1,985)	(2,005)
FFG DMC	Fellow subsidiary	Advance to <i>(note(b))</i>	18,158	18,955
Feeler Takamatsu	Associate of ultimate holding company	Other receivables <i>(note(b))</i>	284	45
		Trade receivables <i>(note(a))</i>	-	215

23. RELATED PARTY TRANSACTIONS (Continued)

(1) Transactions and balances (Continued)

Balances (Continued)

Name of company	Relationship	Nature of balances	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
SMS Holding	Fellow subsidiary	Trade receivables <i>(note(a))</i>	-	-
Hangzhou Best Friend Technology Co., Ltd.	Related company	Other receivables <i>(note(b))</i>	11,857	8,745
Amounts due from fellow subsidiaries and associates of ultimate holding company			30,299	28,087
Amounts due to fellow subsidiaries			(1,985)	(2,005)
Joint ventures				
AIF	Joint venture	Other receivables <i>(note(b))</i>	239	248
Feeler Mectron	Joint venture	Trade receivables <i>(note(a))</i>	-	75
		Other receivables <i>(note(b))</i>	30	8
UFM	Joint venture	Trade receivables <i>(note(a))</i>	-	1
		Other receivables <i>(note(b))</i>	186	312
		Trade payables <i>(note(a))</i>	(435)	(515)
Nippon Cable Feeler	Joint venture	Other payables <i>(note(b))</i>	(2)	(2)
Amounts due from joint ventures			455	644
Amounts due to joint ventures			(437)	(517)
Associates and subsidiaries of an associate				
FFG Werke GmbH	Associate	Trade payables <i>(note(a))</i>	(22,886)	(24,111)
		Other receivables <i>(note(b))</i>	1,357	1,357
		Shareholder loan <i>(note(c))</i>	61,651	53,981
		Compensation receivables <i>(note(c))</i>	72,667	72,667

23. RELATED PARTY TRANSACTIONS (Continued)

(1) Transactions and balances (Continued)

Balances (Continued)

Name of company	Relationship	Nature of balances	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
FFG Europe S.p.A	Associate	Other receivables <i>(note (b))</i>	766	766
		Shareholder loan <i>(note (c))</i>	39,316	40,812
Jobs Automazione S.p.A	Subsidiary of an associate	Other receivables <i>(note (b))</i>	35,951	24,225
Sky Thrive Rambaudi S.r.l	Subsidiary of an associate	Other receivables <i>(note (b))</i>	3,178	3,306
		Shareholder loan <i>(note (c))</i>	5,957	6,219
FFG European and American Holdings GmbH	Associate	Other receivables <i>(note (b))</i>	143,601	139,900
Grinding technology S.r.l	Subsidiary of an associate	Other receivables <i>(note (b))</i>	9,072	9,307
FFG Shanghai	Subsidiary of an associate	Other receivables <i>(note (b))</i>	23,388	17,734
MAG Global Holdings GmbH	Subsidiary of an associate	Other receivables <i>(note (b))</i>	575	575
Amounts due from associates and subsidiaries of associates			397,479	370,849
Amounts due to an associate and subsidiaries of an associate			(22,886)	(24,111)

(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.

23. RELATED PARTY TRANSACTIONS (Continued)

(2) Compensation of directors and key management personnel

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Salaries and allowances	1,103	1,238
Performance related bonuses	107	112
Retirement benefit scheme contribution	43	28
	<u>1,253</u>	<u>1,378</u>

24. PLEDGE OF ASSETS

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Right-of-use assets	79,650	80,631
Restricted bank balances for trade finance facilities	<u>68,089</u>	<u>72,585</u>
	<u>147,739</u>	<u>153,216</u>

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