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 2017

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

CHU Chih-Yaung *(Chairman)*
CHEN Hsiang-Jung *(Chief Executive Officer)*
CHEN Min-Ho
WEN Chi-Tang
CHIU Rung-Hsien

Independent Non-Executive Directors

KOO Fook Sun, Louis
CHIANG Chun-Te
YU Yu-Tang

COMPANY SECRETARY

LO Tai On

AUTHORISED REPRESENTATIVES

CHEN Hsiang-Jung
CHIU Rung-Hsien

LEGAL ADVISERS AS TO HONG KONG LAW

Woo Kwan Lee & Lo

AUDITOR

Deloitte Touche Tohmatsu

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 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China
Cathay United Bank
Hang Seng Bank Limited
Industrial and Commercial Bank of China
KGI Bank
Mega International Commercial Bank
Yuanta Commercial Bank
BNP Paribas
Bank SinoPac
Bangkok Bank

STOCK CODE

2398

WEBSITE

http://www.goodfriend.hk

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.

DISCLOSURE OF INTERESTS

Directors' interest in shares

As at 30 June 2017, the interests or short positions of the Directors or chief executive in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), are set out below:

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

(a) Interests in the Company

Name of Director	Nature of interest	Number and class of securities	Approximate percentage of the issued shares as at 30 June 2017
Mr. Chu Chih-Yaung ("Mr. Chu")	Corporate interest	20,000,000 *(Note)*	4.96%

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

(b) Interests in the associated corporations of the Company

Name of Directors	Name of associated corporations	Nature of interest	Number and class of securities	Approximate percentage of shareholdings as at 30 Jun 2017
Mr. Chu	Taiwan FF	Beneficial owner	15,669,255 ordinary shares	15.30%
	Taiwan FF	Spouse interest *(Note 1)*	2,682,926 ordinary shares	2.62%
	Fair Fine (Hongzhou) Industrial Co., Ltd. *(Note 2)*	Beneficial owner	750 ordinary shares	0.03%
Mr. Chen Hsiang-Jung	Taiwan FF	Beneficial owner	1,948,553 ordinary shares	1.90%
	Fair Fine (Hongzhou) Industrial Co., Ltd. *(Note 2)*	Beneficial owner	750 ordinary shares	0.03%

Notes:

(1) Ms. Wang Tz-Ti (formerly known as Wang Jin-Zu) ("Ms. Wang"), the spouse of Mr. Chu, held 2.62% of the issued share capital of Taiwan FF. Mr. Chu was deemed to be interested in all the shares held by Ms. Wang in Taiwan FF under the SFO.

(2) Fair Fine (Hongzhou) Industrial Co., Ltd. is a non-wholly-owned subsidiary of Taiwan FF and is therefore an associated corporation of the Company for the purpose of the SFO.

Save as disclosed above, as at 30 June 2017, 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 2017, 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 despatched on 29 April 2016.

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

Substantial shareholders

As at 30 June 2017, 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 2017
Good Friend (H.K.) Corporation Limited ("Hong Kong GF")	Beneficial owner	232,000,000 shares *(Note)*	57.54%
Taiwan FF	Interest of controlled corporation	232,126,000 shares *(Note)*	57.57%

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 2017.

OTHER INFORMATION

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of director's information of the Company since the date of the 2016 Annual Report is as follows:

Mr. Koo Fook Sun, Louis retired as an independent non-executive director of Midland Holdings Limited, which is listed on the Main Board of the Stock Exchange, on 28 June 2017.

Mr. Chiang Chun-Te, resigned as a general manager of Istra Corporation on 5 January 2017.

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 on 30 August 2017) 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 (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.

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 two independent non-executive Directors, namely Mr. Koo Fook Sun, Louis (as chairman) and Mr. Chiang Chun-Te, and one executive Director, namely Mr. Chen Hsiang-Jung.

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 two independent non-executive Directors, namely Mr. Koo Fook Sun, Louis (as chairman) and Mr. Chiang Chun-Te, and one executive Director, namely Mr. Chen Hsiang-Jung.

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, 30 August 2017

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF
GOOD FRIEND INTERNATIONAL HOLDINGS INC.
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Good Friend International Holdings Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 16 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	6	654,396	534,545
Cost of revenue	6	(498,616)	(392,266)
Gross profit		155,780	142,279
Other income	7	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	15	261	(503)
Share of profit of associates	16	9,914	154
Profit before income tax	8	46,068	32,496
Income tax expense	9	(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	16	(26)	(16,949)
Items that may be subsequently reclassified to profit or loss:			
Share of other comprehensive loss of associates	16	(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	10	0.09	0.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	187,105	195,332
Prepaid lease payments	13	124,504	121,148
Intangible assets	14	2,885	3,431
Investments in joint ventures	15	16,755	16,494
Investments in associates	16	406,336	385,655
Deferred tax assets	17	22,860	21,701
		760,445	743,761
Current assets			
Inventories		267,159	202,828
Debtors, deposits and prepayments	18	547,968	499,083
Prepaid lease payments	13	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	24	1,507	2,518
Amounts due from joint ventures	24	910	922
Amounts due from associates and subsidiaries of an associate	24	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	19	546,103	490,737
Amounts due to customers for contract work		32,942	31,682
Amount due to ultimate holding company	24	3,343	2,388
Amount due to immediate holding company	24	2,880	619
Amounts due to a fellow subsidiary and an associate of ultimate holding company	24	4,748	5,503
Amounts due to an associate and subsidiaries of an associate	24	24,822	7,981
Amounts due to joint ventures	24	244	192
Current income tax liabilities		25,681	26,219
Warranty provision		6,178	6,018
Bank borrowings	20	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	22	61,180	61,180
Net assets		839,016	804,068
Capital and Reserves			
Share capital	21	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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserves *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
At 1 January 2016 (Audited)	4,022	82,281	77,338	48,905	531,893	744,439
Profit for the period	–	–	–	–	18,538	18,538
Other comprehensive income						
Transfer to other reserves	–	–	–	15	(15)	–
Share of other comprehensive loss of associates *(note 16)*	–	–	–	(9,247)	(16,949)	(26,196)
Exchange difference arising on translation of foreign operations	–	–	–	8,454	–	8,454
Total comprehensive income	–	–	–	(778)	1,574	796
Dividends recognised as distributions	–	–	–	–	(12,096)	(12,096)
At 30 June 2016 (Unaudited)	4,022	82,281	77,338	48,127	521,371	733,139
At 1 January 2017 (Audited)	**4,022**	**82,281**	**77,338**	**61,248**	**579,179**	**804,068**
Profit for the period	**–**	**–**	**–**	**–**	**36,021**	**36,021**
Other comprehensive income						
Share of other comprehensive loss of associates *(note 16)*	**–**	**–**	**–**	**(24,876)**	**(26)**	**(24,902)**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**23,829**	**–**	**23,829**
Total comprehensive income	**–**	**–**	**–**	**(1,047)**	**35,995**	**34,948**
At 30 June 2017 (Unaudited)	**4,022**	**82,281**	**77,338**	**60,201**	**615,174**	**839,016**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash used in operations	(13,559)	(3,179)
Income tax and withholding tax paid	(11,744)	(12,352)
Net cash used in operating activities	(25,303)	(15,531)
Cash flows from investing activities		
– acquisition of property, plant and equipment and intangible assets	(3,721)	(1,670)
– proceeds from disposal of property, plant and equipment	403	11
– acquisition of prepaid lease payments	(5,134)	–
– interest received	886	4,735
– (increase) decrease in restricted bank deposit	(174)	115,085
Net cash (used in) generated from investing activities	(7,740)	118,161
Cash flows from financing activities		
– proceeds from bank borrowings	585,095	1,087,774
– repayments of bank borrowings	(587,029)	(1,154,743)
– dividends paid to equity holders	–	(12,096)
– interest paid	(4,156)	(5,764)
Net cash used in financing activities	(6,090)	(84,829)
Net (decrease) increase in cash and cash equivalents	(39,133)	17,801
Cash and cash equivalents at the beginning of the period	177,946	101,583
Effect of foreign exchange rate changes	992	233
Cash and cash equivalents at end of the period	139,805	119,617

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

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. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed consolidated financial statements for the six months ended 30 June 2017 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in risk management policies during the six months period ended 30 June 2017.

5.2 Liquidity risk

In order to manage the liquidity risk, the Group monitors and maintains cash and cash equivalents and unused credit facilities at a level which is deemed to be adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. There have been no changes in liquidity risk management policies during the six months period ended 30 June 2017.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.3 Fair value estimation

As at 30 June 2017, the Group had no financial instrument which had been stated at fair value.

The carrying amounts less impairment provision of receivables and payables are a reasonable approximation of their fair values due to their short-term maturities.

6. 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

6. SEGMENT INFORMATION (Continued)

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.

7. OTHER INCOME

	Six months ended 30 June	
	2017 *RMB'000* (Unaudited)	2016 *RMB'000* (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.

8. 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.

9. 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

9. INCOME TAX EXPENSE (Continued)

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.

10. 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 (Unaudited)	2016 (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.

11. 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.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain plant and equipment with an aggregate carrying amount of RMB241,000 (six months ended 30 June 2016: RMB174,000) for proceeds of RMB403,000 (six months ended 30 June 2016: RMB11,000), resulting in a gain on disposal of RMB162,000 (six months ended 30 June 2016: net loss on disposal RMB163,000). In addition, the Group spent RMB3,575,000 (six months ended 30 June 2016: RMB1,388,000) on additions to plant and equipment.

13. PREPAID LEASE PAYMENTS

Prepaid lease payments represent the land use rights which are released to profit or loss on a straight-line basis over the periods of the land use right certificate which is 50 years. During the current interim period, prepaid lease payments released to profit or loss amounted to RMB1,580,000 (six months ended 30 June 2016: RMB472,000). The amount to be amortised within one year is presented as current portion of prepaid lease payments. In addition, the Group spent RMB5,134,000 (six months ended 30 June 2016: Nil) on additions to prepaid lease payment.

14. INTANGIBLE ASSETS

During the current interim period, the Group spent RMB146,000 (six months ended 30 June 2016: RMB282,000) on additions to intangible assets.

15. INVESTMENTS IN JOINT VENTURES

	As at	
	30 June 2017 *RMB'000* (Unaudited)	31 December 2016 *RMB'000* (Audited)
Cost of unlisted investments in joint ventures	27,666	27,666
Share of post-acquisition loss and other comprehensive income	(10,911)	(11,172)
	16,755	16,494

16. INVESTMENTS IN ASSOCIATES

	As at	
	30 June 2017 *RMB'000* (Unaudited)	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

16. INVESTMENTS IN ASSOCIATES (Continued)

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 recognised 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)	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.

17. DEFERRED TAX ASSETS

	Allowance for doubtful receivables *RMB'000*	Allowance for inventories *RMB'000*	Warranty provision *RMB'000*	Sales commission *RMB'000*	Deferred revenue *RMB'000*	Total *RMB'000*
At 1 January 2016 (Audited)	4,452	1,034	824	–	–	6,310
Credit (charge) to profit or loss	266	20	(32)	833	–	1,087
At 30 June 2016 (Unaudited)	4,718	1,054	792	833	–	7,397
(Charge) credit to profit or loss	(848)	(301)	74	84	15,295	14,304
At 31 December 2016 (Audited)	3,870	753	866	917	15,295	21,701
Credit (charge) to profit or loss	932	209	22	(4)	–	1,159
At 30 June 2017 (Unaudited)	4,802	962	888	913	15,295	22,860

18. DEBTORS, DEPOSITS AND PREPAYMENTS

	As at	
	30 June 2017 *RMB'000* (Unaudited)	31 December 2016 *RMB'000* (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.

18. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

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.

19. 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

19. CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES (Continued)

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

20. BANK BORROWINGS

	As at	
	30 June 2017 *RMB'000* (Unaudited)	31 December 2016 *RMB'000* (Audited)
Current		
– Secured	9,294	1,829
– Unsecured	339,544	348,943
	348,838	350,772

20. BANK BORROWINGS (Continued)

Note:

(a) The borrowings bear interest at market rates ranging from 1.40% to 4.79% per annum (30 June 2016: 1.50% to 4.50% per annum).

(b) The Group has pledged its prepaid lease payments with carrying amount of approximately RMB3,397,000 as at 30 June 2017 (31 December 2016: RMB3,443,000) and buildings with carrying amounts of approximately RMB8,790,000 (31 December 2016: RMB9,153,000) in order to secure the general banking facilities granted to the Group. As at 30 June 2017, the Group has utilised such secured bank facilities of RMB9,294,000 (31 December 2016: RMB1,829,000).

(c) As at 30 June 2017, the Company's bank facilities of RMB204,080,000 (31 December 2016: RMB209,205,000) were guaranteed by irrevocable standby letter of credits issued by banks but none of which has been utilised (31 December 2016: Nil).

(d) As at 30 June 2017, cross guarantees between subsidiaries of RMB271,942,600 (31 December 2016: RMB131,000,000) have been provided to secure the bank borrowings of which RMB39,074,000 balance has been utilised (31 December 2016: RMB8,835,000).

(e) As at 30 June 2017, a personal guarantee was provided by a director of the Company and a related party of the Group in respect of the Group's bank borrowings of RMB81,293,000 (31 December 2016: RMB69,370,000).

21. SHARE CAPITAL

	Number of shares *'000*	Nominal value *RMB'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 30 June 2017 (Unaudited) and 31 December 2016 (Audited)	1,000,000	10,211
Issued and fully paid:		
At 30 June 2017 (Unaudited) and 31 December 2016 (Audited)	403,200	4,022

22. DEFERRED REVENUE

	As at	
	30 June 2017 *RMB'000* (Unaudited)	31 December 2016 *RMB'000* (Audited)
Assets related government grants	61,180	61,180

In November 2016, Fair Friend (Henan) Precision Machinery Co., Ltd., one of the Company's wholly-owned subsidiaries, received certain government grants and subsidies amounting to RMB61,180,000 for its specified purpose to invest in plants and equipment. These grants and subsidies will be recognised in profit or loss over the useful lives of the relevant assets.

23. CAPITAL COMMITMENTS

	As at	
	30 June 2017 *RMB'000* (Unaudited)	31 December 2016 *RMB'000* (Audited)
Capital expenditure contracted for but not provided in respect of		
– Acquisition of machinery and equipment	1,561	–
– Construction of buildings	2,040	–
	3,601	–

24. RELATED PARTY TRANSACTIONS

(1) Transaction 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 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Fair Friend Enterprise Company Limited ("Fair Friend")	Ultimate holding company	Sales of goods	84	51
		Purchases of goods	13,521	12,299
		Purchases of service	390	–
Good Friend (H.K.) Corporation Limited ("Hong Kong GF")	Immediate holding company	Purchases of goods	21,347	9,126
Hangzhou Feeler Takamatsu Machinery Co., Ltd. ("Feeler Takamatsu")	Associate of ultimate holding company	Purchase of goods	1,519	791
		Sales of service	562	92
		Rental income	–	1
Hangzhou Fair Fine Electric & Machinery Co., Ltd. ("Fair Fine")	Fellow subsidiary	Sales of goods	–	1
		Sales of service	–	372
		Rental income	–	254
Anest Iwata Feeler Corporation ("AIF")	Joint venture	Purchases of goods	110	232
		Sales of goods	5	–
		Sales of service	645	570
		Rental income	11	9
Hangzhou Best Friend Technology Co., Ltd. ("Best Friend")	Associate of ultimate holding company	Sales of goods	1	–
Sanco Machine & Tools Corporation ("SANCO")	Fellow subsidiary	Purchases of goods	5,328	7,101
		Purchase of service	–	480
Hangzhou Feeler Mectron Machinery Co., Ltd. ("Feeler Mectron")	Joint venture	Sales of goods	–	45
		Sales of service	66	–
		Purchases of goods	707	974
		Rental income	34	–

24. RELATED PARTY TRANSACTIONS (Continued)

(1) Transaction and balances (Continued)

Transactions (Continued)

Name of company	Relationship	Nature of transactions	Six months ended 30 June 2017 *RMB'000* (Unaudited)	Six months ended 30 June 2016 *RMB'000* (Unaudited)
Hangzhou Union Friend Machinery Co., Ltd ("UFM")	Joint venture	Sales of goods	11	17
		Purchase of goods	580	347
		Sales of service	18	18
		Interest income	12	–
Hangzhou Nippon Cable Feeler Corporation ("Nippon Cable Feeler")	Joint venture	Purchase of service	29	38
		Sales of service	9	10
FFG Werke GmbH ("FFG Werke")	Associate	Purchase of goods	153,353	27,340
SMS Holding Co.,INC.	Subsidiary of an associate of the Group	Sales of goods	4	1,135
FFG DMC Co.,Ltd	Fellow subsidiary	Purchase of goods	–	1,128
Jobs Automazione S.p.A ("Jobs")	Subsidiary of an associate of the Group	Purchase of goods	–	18,972
EQUIPTOP HITECH CORP.	Fellow subsidiary	Sales of goods	1,420	–

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

24. RELATED PARTY TRANSACTIONS (Continued)

(1) Transaction and balances (Continued)

Balances

Name of company	Relationship	Nature of balances	30 June 2017 *RMB'000* (Unaudited)	31 December 2016 *RMB'000* (Audited)
Fair Friend	Ultimate holding company	Trade payable *(note (b))*	(3,216)	(1,510)
		Advance to *(note (b))*	1,342	2,110
		Other payable *(note (b))*	–	(878)
		Advance from *(note (b))*	(128)	–
Hong Kong GF	Immediate holding company	Trade payable *(note (b))*	(2,880)	(619)
Fair Fine	Fellow subsidiary	Other receivable *(note (b))*	–	114
		Trade receivable *(note (b))*	–	7
SANCO	Fellow subsidiary	Trade payable *(note (b))*	(3,610)	(5,207)
		Advance to*(note (b))*	650	2,356
Feeler Takamatsu	Associate of ultimate holding company	Other receivable *(note (b))*	33	32
		Trade payable *(note (b))*	(867)	(23)
Best Friend	Associate of ultimate holding company	Trade receivable *(note (a))*	3	2
		Advance to *(note (b))*	–	(1)
AIF	Joint venture	Trade receivable *(note (a))*	3	1
		Other receivable *(note (b))*	112	254
Feeler Mectron	Joint venture	Trade receivable *(note (a))*	81	58
		Other receivable *(note (b))*	100	13
		Other payable *(note (b))*	(4)	(4)
		Trade payable *(note (b))*	(120)	–
UFM	Joint venture	Trade payable *(note (b))*	(120)	(188)
		Other receivable *(note (b))*	604	591
		Trade receivable *(note (a))*	9	–
Jobs	Subsidiary of an associate of the Group	Other receivable *(note (b))*	12,804	7,428
		Trade payable *(note (b))*	(866)	(4,615)
		Other payable *(note (b))*	(823)	–
		Shareholder loan *(note (b))*	20,972	22,595

24. RELATED PARTY TRANSACTIONS (Continued)

(1) Transaction and balances (Continued)

Balances (Continued)

Name of company	Relationship	Nature of balances	30 June 2017 *RMB'000* (Unaudited)	31 December 2016 *RMB'000* (Audited)
SIGMA Technology S.r.l	Subsidiary of an associate of the Group	Advance to *(note (a))*	–	2,127
		Trade payable *(note (b))*	–	(76)
FFG Werke	Associate	Advance to *(note (b))*	12,934	43,025
		Trade payable *(note (b))*	(23,133)	(3,290)
		Shareholder loan *(note (b))*	–	4,915
		Other receivable *(note (b))*	851	862
FFG Europe S.p.A ("FFG Europe")	Associate	Other receivable *(note (b))*	674	674
Nippon Cable Feeler	Joint venture	Other receivable *(note (b))*	–	5
EQUIPTOP HITECH CORP.	Fellow subsidiary	Trade receivable *(note (a))*	–	7
		Trade payable *(note (b))*	(272)	(272)
SMS HOLDING CO.,INC.	Subsidiary of an associate of the Group	Trade receivable *(note (a))*	–	3
FFG DMC CO., LTD	Subsidiary of ultimate holding company	Advance to *(note (a))*	821	–
FFG European and American Holdings GmbH	Associate	Shareholder loan *(note (b))*	20,876	–

24. RELATED PARTY TRANSACTIONS (Continued)

(1) Transaction and balances (Continued)

Balances (Continued)

(a) The Group allows a normal credit period of 90 days for sales made to the fellow subsidiaries, the ultimate holding company and its associates, and subsidiaries of associated company. Balances are unsecured and interest free. As at 30 June 2017 and 31 December 2016, the ageing of above balances was mostly within 6 to 12 months.

(b) Balances are unsecured, interest free and repayable on demand.

(2) Compensation of directors and key management personnel

	Six months ended 30 June	
	2017 *RMB'000* (Unaudited)	2016 *RMB'000* (Unaudited)
Salaries	1,571	1,402
Performance related bonuses	201	392
Retirement benefits scheme contributions	56	53
	1,828	1,847

25. PLEDGE OF ASSETS

	As at	
	30 June 2017 *RMB'000* (Unaudited)	31 December 2016 *RMB'000* (Audited)
Prepaid lease payments	3,397	3,443
Property, plant and equipment	8,790	9,153
Pledged bank deposits	33,337	33,163
	45,524	45,759

25. PLEDGE OF ASSETS (Continued)

The Group has pledged its prepaid lease payments and buildings in order to secure the general banking facilities granted to the Group.

The Group has restricted bank deposits which mainly represent deposits placed in banks for guarantees issued for finance facilities used by the Group.

26. CONTINGENT LIABILITY

On 25 September 2015, the Company, FFG Werke and a bank ("the Bank") entered into an agreement, pursuant to which the Bank will arrange the facility for the maximum principal amount of Euro50,000,000 (equivalent RMB387,480,000) to be available to the Company and FFG Werke on a joint and several basis, whereby each of the Company and FFG Werke is liable for the indebtedness incurred by the other under the facility. As at 30 June 2017, the Company has not drawn down any loan from aforesaid facility letter, while FFG Werke has drawn down a total amount of Euro30,000,000 (equivalent RMB232,488,000).

On 9 July 2014, FFG Werke and Sky Thrive entered into a guarantee procurement deed, pursuant to which Sky Thrive agreed to procure the issuance of the bank guarantees for the business operation of FFG Werke with maximum aggregate amount not exceeding Euro10,600,000 (equivalent RMB82,146,000). As at 30 June 2017, Sky Thrive has arranged the aforesaid bank guarantees of total amount of Euro6,500,000 (equivalent RMB50,372,000).

During the six months ended 30 June 2017, Hangzhou Good Friend Precision Machinery Co., Ltd. ("Hangzhou Good Friend"), a wholly-owned subsidiary of the Company, issued standby letter of credit with a maximum amount of RMB34,000,000 to guarantee the corresponding amount of the credit facilities to be provided by a bank to FFG Werke. As at 30 June 2017, FFG Werke has drawn down a total amount of Euro4,000,000 (equivalent RMB30,998,000).

During the six months ended 30 June 2017, Hangzhou Good Friend issued standby letter of credit with a maximum amount of Euro4,100,000 (equivalent RMB31,773,000) to guarantee the corresponding amount of the credit facilities to be provided by a bank to FFG Europe. As at 30 June 2017, FFG Europe has drawn down a total amount of Euro5,000,000 (equivalent RMB38,748,000), within which Euro1,000,000 (equivalent RMB7,750,000) were drawn down by FFG Europe during the year ended 31 December 2016 which was guaranteed by standby letter of credit issued by Hangzhou Good Friend.

Management estimates that the default risk of FFG Werke and FFG Europe is remote, thus the exposure to guaranty liability arising from these financial guarantees is immaterial and no guaranty liability has been recognised in current interim period.