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 2009

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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

AUDITORS

PricewaterhouseCoopers

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

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Industrial and Commercial Bank of China
Bank of China
Hang Seng Bank Limited

STOCK CODE

2398

WEBSITE

http://www.goodfriend.hk

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

For the six months ended 30 June 2009, the Group recorded a revenue of approximately RMB339.74 million, representing a decrease of approximately 16.5% as compared to the corresponding period in 2008. 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 RMB272.41 million, representing an increase of 1.6% as compared to the corresponding period in last year and accounted for approximately 80.2% of the Group's total revenue. On the other hand, the Group's forklift trucks business was hit by the drop of sales orders from overseas customers during the period under review. As a result, sales revenue of the product decreased by approximately 61.7%, as compared to corresponding period in last year, to approximately RMB35.26 million. Accordingly, revenue generated from the forklift trucks decreased to approximately 10.4% of the Group's total revenue. Moreover, sales of parking garage structures amounted to approximately RMB32.07 million during the period under review and accounted for approximately 9.4% of the total revenue.

Gross profit and margin

During the period under review, gross profit of the Group amounted to approximately RMB81.32 million. Gross profit margin was approximately 23.9%, compared to 25.6% for the corresponding period in last year. The operating gross profit margin for CNC machine tools (the Group's major product) during the period under review was approximately 28.6%. Nevertheless, the gross profit margin of the forklift trucks was further decreased by the downward adjustment of the selling prices of that product in order to cope with the market correction. As a result, the overall gross profit margin for the period under review decreased slightly.

Distribution and selling costs

Distribution and selling costs decreased by approximately 15.8% to approximately RMB38.00 million for the six months ended 30 June 2009. Since the occurrence of the financial crisis in the second half of 2008, the Group had striven to control its operating expenditures. On the other hand, the Group continued to actively participate in those machine tools fairs in China during the period under review. Through promoting aggressively its CNC machine tools products, the Group was able to maintain the growth in sales of the products.

Administrative expenses

During the period under review, administrative expenses decreased by approximately 76.4%, as compared to the corresponding period last year, to approximately RMB4.25 million. Apart from the stringent cost control measures, the Group had also reversed RMB9.36 million allowance for bad and doubtful debts during the period under review.

Finance costs

During the period under review, finance costs decreased to approximately RMB2.17 million. The decrease was primarily due to the decrease of bank borrowings of the Group during the period.

Profit attributable to the share holders of the Company

For the six months ended 30 June 2009, profit attributable to the shareholders of the Company amounted to approximately RMB33.33 million, representing a decrease of approximately 7.9% as compared to the same period last year.

Business review

During the first half of 2009, the sales volume of CNC machine tools, parking garage structures and forklift trucks amounted to 578 units, 1,905 units and 523 units respectively. Approximately 80.2% of the Group's revenue was generated from the mainstream product CNC machine tools, with the major customers of the CNC machine tools being those automobile and mechanical manufacturers. During the first half of 2009, the effects of global financial crisis continued to spread. Despite that, the Group's CNC machine tools business was benefited by the RMB4,000 billion economic-stimulus measures launched by the central government of China at the end of 2008, as well as the automobile subsidies for rural areas launched in early 2009. Revenue of the Group's CNC machine tools business was able to grow steadily during the period under review. During the period, the Group also recorded revenue of approximately RMB21.58 million for its double column machining centre launched in last year, whilst selling price of such product is approximately 2 times or more the average selling price of the Group's CNC machine tools products. Moreover, the Group's new production base in Xiasha, Hangzhou (with an area of about 26,000 sq. m.) has already been utilized for the production of double column machining centre in the middle of 2009 which in turn can enhance the production capacity of the Group. On the other hand, the Group's forklift trucks business was hit by the drop of sales orders from overseas customers during the period under review. As a result, revenue generated from the forklift trucks business during the period under review decreased considerably by approximately 61.7%. Accordingly the proportion of the overseas sales of the forklift trucks was decreased to approximately 37%.

Prospects

Despite the global economic environment still remains uncertain in 2009 due to the financial crisis, the Group has reported a fairly well 2009 interim results performance. Through the Chinese government's policies of promotion of economic-stimulus measures, certain economic indicators has shown trend of recovery during the second quarter of 2009. The gross domestic product (GDP) of China for the first half of 2009 grew by 7.1% over the previous year. It is believed that China will be the first country to recover from the impact of financial crisis. The Group stands to benefit accordingly by virtue of the fact that its mainstream product CNC machine tools business focuses mainly in the domestic market. The management believes that with its existing production capacity and research and development capabilities in respect of the machine tools products, the Group could enhance its market share in the machine tools industry in China which has vast business opportunity.

On the other hand, on 23 June 2009, the Company, Anest Iwata Corporation ("AIC") and Anest Iwata Taiwan Corporation ("AIT") entered into a shareholders' agreement for the formation of a wholly foreign owned enterprise, Anest Iwata Feeler Corporation (the "JVC"). Accordingly, the equity interest of the JVC is owned as to 35%, 35% and 30% by the Company, AIC and AIT respectively. The amount to be contributed by the Group to the registered capital of JVC is US$2,625,000. The JVC is principally engaged in the production, assembly and supply of air compressors, their components, accessories and spare parts. The Group considers the formation of JVC an opportunity to diversify the investment portfolio of the Group and helps enlarge the revenue base of the Group as a whole.

Looking ahead, the management believes that with its extensive sales network, solid research and development foundation as well as advanced manufacturing facilities, the Group is capable of meeting customers' different needs. Moreover, the management will continue to strengthen the control of operating expenditures and strive to enhance its production efficiency. In conclusion, the management is optimistic about China's economic development prospect and the Group's prospect in the foreseeable future.

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 2009, the Group's cash and cash equivalents amounted to approximately RMB17.63 million (at 31 December 2008: RMB53.88 million). As at 30 June 2009, the Group had net current assets of approximately RMB95.86 million (at 31 December 2008: RMB99.97 million) and short-term bank borrowings of approximately RMB117.88 million (at 31 December 2008: RMB173.76 million). The current ratio (total current assets to total current liabilities) of the Group as at 30 June 2009 was approximately 1.3 (at 31 December 2008: 1.3). The gearing ratio as at 30 June 2009 (total interest bearing liabilities to total assets) was approximately 16.4% (at 31 December 2008: 24.9%), indicated that the Group's overall financial position remained strong.

Capital structure

The share capital of the Company as at 30 June 2009 was HK$3,360,000 divided into 336,000,000 shares of HK$0.01 each (at 31 December 2008: HK$3,360,000 divided into 336,000,000 shares of HK$0.01 each).

Staff and remuneration policies

As at 30 June 2009, the Group employed a total of approximately 1,059 full time employees (31 December 2008: 1,130) 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) will also be awarded to employees according to assessment of individuals' performance.

Capital commitments and contingencies

The Group had capital expenditure commitments mainly for property, plant and equipment of approximately RMB5.21 million (at 31 December 2008: RMB9.95 million) which were contracted but not provided in the financial statements. The Group had no material contingent liabilities as at 30 June 2009 (at 31 December 2008: Nil).

Charges on the group's assets

As at 30 June 2009, the Group had pledged bank deposits with an amount of approximately RMB47.3 million (at 31 December 2008: RMB8.78 million) which represented guarantee deposit in banks for the purpose of bidding contracts.

Subsidiaries of the Company had pledged their land use rights and building with an aggregate carrying amount of RMB30.8 million (31 December 2008: RMB14.4 million) as at 30 June 2009 in order to secure banking facilities granted to the Group.

DISCLOSURE OF INTERESTS

Directors' interest in shares

As at 30 June 2009, 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 corporations*

Name of Director	Name of associated corporation	Nature of interest	Number and class of securities	Approximate percentage of shareholding
Mr. Chu Chih-Yaung	友嘉實業股份有限公司 (Fair Friend Enterprise Company Limited) ("Taiwan FF")	Beneficial owner	24,499,243 shares	15.56%
Mr. Chu Chih-Yaung *(Note 1)*	Taiwan FF	Spouse interest	4,718,925 shares	3.00%
Mr. Chu Chih-Yaung *(Note 2)*	Taiwan FF	Family interest	685,759 shares	0.44%
Mr. Chen Hsiang-Jung	Taiwan FF	Beneficial owner	4,762,841 shares	3.03%
Mr. Chu Chih-Yaung	友迦工業股份有限公司 (Fairskq (Taiwan) Co., Ltd.) *(Note 4)*	Beneficial owner	21,988 shares	0.22%
Mr. Chu Chih-Yaung *(Note 3)*	友迦工業股份有限公司 (Fairskq (Taiwan) Co., Ltd.) *(Note 4)*	Spouse interest	21,988 shares	0.22%
Mr. Chen Min-Ho	友迦工業股份有限公司 (Fairskq (Taiwan) Co., Ltd.) *(Note 4)*	Beneficial owner	43,976 shares	0.44%

Name of Director	Name of associated corporation	Nature of interest	Number and class of securities	Approximate percentage of shareholding
Mr. Chu Chih-Yaung	佑泰興實業股份有限公司 (Yu Thai Xin Ent. Co., Ltd.) *(Note 4)*	Beneficial owner	1,000 shares	0.01%
Mr. Chu Chih-Yaung *(Note 5)*	佑泰興實業股份有限公司 (Yu Thai Xin Ent. Co., Ltd.) *(Note 4)*	Spouse interest	1,000 shares	0.01%
Mr. Chu Chih-Yaung *(Note 6)*	友嘉國際股份有限公司 (Decaview Asia Corporation) *(Note 4)*	Spouse interest	50,000 shares	0.59%
Mr. Chen Hsiang-Jung	友嘉國際股份有限公司 (Decaview Asia Corporation) *(Note 4)*	Beneficial owner	10,000 shares	0.12%
Mr. Chu Chih-Yaung	Fair Fine (Hongzhou) Industrial Co., Ltd. *(Note 4)*	Beneficial owner	750 shares	0.03%
Mr. Chen Hsiang-Jung	Fair Fine (Hongzhou) Industrial Co., Ltd. *(Note 4)*	Beneficial owner	750 shares	0.03%

Notes:

1. Ms. Wang Tz-Ti (formerly known as Wang Jin-Zu) ("Ms. Wang"), the spouse of Mr. Chu Chih-Yaung ("Mr. Chu"), holds 3.00% of the issued share capital of Taiwan FF. Mr. Chu is deemed to be interested in all the shares held by Ms. Wang in Taiwan FF under the SFO.

2. Mr. Chu Yi-Chia, the son of Mr. Chu under the age of 18, holds 0.44% of the issued share capital of Taiwan FF. Mr. Chu is deemed to be interested in all the shares held by Mr. Chu Yi-Chia in Taiwan FF under the SFO.

3. Ms. Wang holds 0.22% of the issued share capital of Fairskq (Taiwan) Co., Ltd.. Mr. Chu is deemed to be interested in all the shares held by Ms. Wang in Fairskq (Taiwan) Co., Ltd. under the SFO.

4. These companies are non-wholly-owned subsidiaries of Taiwan FF and are therefore associated corporations of the Company for the purpose of the SFO.

5. Ms. Wang holds 0.01% of the issued share capital of Yu Thai Xin Ent. Co., Ltd.. Mr. Chu is deemed to be interested in all the shares held by Ms. Wang in Yu Thai Xin Ent. Co., Ltd. under the SFO.

6. Ms. Wang holds 0.59% of the issued share capital of Decaview Asia Corporation. Mr. Chu is deemed to be interested in all the shares held by Ms. Wang in Decaview Asia Corporation under the SFO.

Save as disclosed above, as at 30 June 2009, none of the Directors or chief executive of the Company had any interest 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 2009, none of the Directors or chief executive of the Company, had any 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

At 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 22 December 2005, 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 summarised as follows:

(1) The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group must not exceed 10% of issued share capital of the Company as at the date of listing of the Company's shares on the Stock Exchange, i.e. 11 January 2006 (which were 280,000,000 shares) unless shareholders' approval has been obtained, and which must not in aggregate exceed 30% of the shares of the Company in issue from time to time.

    As at the date of this report, the total number of shares available for issue under the Scheme is 28,000,000 shares, which represents 10% of the issued shares as at the date of listing of the Company's shares on the Stock Exchange.

(2) The maximum number of shares issued and to be issued upon exercise of the options granted to any eligible person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the issued shares from time to time.

(3) The subscription price for the shares under the Scheme shall be such price as the Board may in its absolute discretion determine at the time of grant of the option but the subscription price shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of the Board approving the grant of an option, which must be a business day ("Offer Date"); (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Company's shares.

(4) An option may be exercised in whole or in part in accordance with the terms of the Scheme at any time during the period commencing immediately after the business day on which the option is deemed to be granted and accepted in accordance with the Scheme ("Commencement Date") and expiring on such date of the expiry of the option as the Board of Directors may in its absolute discretion determine and which shall not exceed ten years from the Commencement Date but subject to the provisions for early termination thereof as set out in the Scheme.

(5) Upon acceptance of the option, the grantee shall pay HK$1 to the Company as consideration for the grant.

(6) The Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Scheme, i.e. 22 December 2005.

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

Substantial shareholders

As at 30 June 2009, 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 shareholder	**Nature of interest**	**Number of ordinary shares held**	**Approximate percentage of the Company's issued share capital**
Good Friend (H.K.) Corporation Limited ("Hong Kong GF")	Beneficial owner	252,000,000 shares *(Note)*	75%
Taiwan FF	Interest of controlled corporation	252,000,000 shares *(Note)*	75%
Morgan Stanley	Beneficial owner	24,000,000 shares	7.14%

Note: Hong Kong GF is owned as to approximately 99.99% by Taiwan FF. Taiwan FF is deemed to be interested in the long position of 252,000,000 shares of the Company held by Hong Kong GF under the SFO.

2. *Aggregate short position in the shares and underlying shares of the Company*

Name of shareholder	Nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Hong Kong GF	Beneficial owner	24,000,000 shares *(Note)*	7.14%
Taiwan FF	Interest of controlled corporation	24,000,000 shares *(Note)*	7.14%

Note: Hong Kong GF is owned as to approximately 99.99% by Taiwan FF. Taiwan FF is deemed to be interested in the short position of 24,000,000 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 2009.

OTHER INFORMATION

Interim dividend

The Board declared to pay an interim dividend of RMB0.09 per ordinary share for the six months ended 30 June 2009, in aggregate amounting to approximately RMB30.24 million. The interim dividend will be paid on Wednesday, 7 October 2009 to those shareholders whose names appear on the principal register of members of the Company in the Cayman Islands on Friday, 2 October 2009 at 3:30 a.m. (Cayman Islands time) and shareholders whose names appear on the Hong Kong branch register of members of the Company on Friday, 2 October 2009 at 4:30 p.m. (Hong Kong time).

In order to be qualified for the receipt of the interim dividend, all transfer forms accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Friday, 2 October 2009.

The declared interim dividend will be calculated in Renminbi, and paid in Hong Kong dollars. The relevant exchange rate will be the average middle rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China at the date on which the directors declared the distribution of interim dividend.

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 2009.

Model code for securities transactions by directors

The Company has adopted 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 the 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.

Code on corporate governance practices

The Company has adopted the code provisions in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance practices. The Company has applied the principles and made efforts to compile with code provisions of the CG Code for the six months ended 30 June 2009, except for the deviation from code provision E.1.2 of the CG Code, which 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 8 June 2009 due to business trip and Mr. Chen Hsiang-Jung as executive Director of the Company took the chair pursuant to the Articles of the Association of the Company.

Audit committee

The Company established an audit committee (the "Audit Committee") on 22 December 2005 with written terms of reference in compliance with the CG Code. 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 comprises three independent non-executive Directors, Mr. Koo Fook Sun, Louis (as chairman), Mr. Chiang Chun-Te and Mr. Yu Yu-Tang. The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2009. The Company's external auditor, PricewaterhouseCoopers, has conducted a review of the interim financial information of the Group for the six months ended 30 June 2009 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, 22 September 2009

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the interim financial information set out on pages 17 to 36, which comprises the condensed consolidated statement of financial position of Good Friend International Holdings Inc. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2009 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of 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" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information 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". A review of interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong,
22 September 2009

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2009

		Six months ended 30 June	
	NOTES	**2009** *RMB'000* **(unaudited)**	2008 *RMB'000* (unaudited)
Revenue	*4*	**339,742**	406,790
Cost of sales and construction contract costs		**(258,426)**	(302,601)
Gross profit		**81,316**	104,189
Other income	*5*	**4,098**	5,734
Distribution and selling costs		**(38,004)**	(45,152)
Administrative expenses		**(4,253)**	(17,984)
Other expenses		**(403)**	(802)
Operating profit	*6*	**42,754**	45,985
Finance income		**185**	224
Finance costs		**(2,165)**	(2,458)
Profit before income tax		**40,774**	43,751
Income tax expense	*7*	**(7,443)**	(7,546)
Profit for the period attributable to the shareholders of the Company		**33,331**	36,205
Other comprehensive income		**–**	–
Total comprehensive income attributable to the shareholders of the Company		**33,331**	36,205
Dividend	*8*	**30,240**	20,160
Earnings per share – basic and diluted, in RMB	*9*	**0.10**	0.11

The notes on pages 22 to 36 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2009

	NOTES	30 June 2009 RMB'000 (unaudited)	31 December 2008 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	**159,845**	152,084
Investment properties	11	**9,098**	–
Deposits for purchase of plant and equipment		**29,277**	28,534
Prepaid lease payments	12	**41,782**	42,253
Intangible assets		**2,184**	2,664
Deferred tax assets		**4,236**	3,602
		246,422	229,137
Current assets			
Inventories		**150,602**	213,031
Debtors, deposits and prepayments	13	**237,236**	169,093
Prepaid lease payments		**943**	943
Amounts due from customers for contract work		**18,070**	14,659
Amount due from ultimate holding Company		**2,102**	–
Amount due from a fellow subsidiary		**14**	1
Tax recoverable		**–**	7,303
Pledged bank deposits	15	**47,302**	8,782
Bank balances and cash		**17,634**	53,875
		473,903	467,687
Total assets		**720,325**	696,824

	NOTES	30 June 2009 RMB'000 (unaudited)	31 December 2008 RMB'000 (audited)
Capital and reserves			
Share capital	16	**3,431**	3,431
Reserves		**338,850**	325,679
		342,281	329,110
Current liabilities			
Creditors and accrued charges	14	**242,807**	179,672
Amounts due to customers for contract work		**8,169**	7,402
Amounts due to holding companies		**1,193**	2,452
Tax payable		**3,666**	–
Warranty provision		**4,327**	4,426
Bank borrowings	15	**117,882**	173,762
		378,044	367,714
Total equity and liabilities		**720,325**	696,824
Net current assets		**95,859**	99,973
Total assets less current liabilities		**342,281**	329,110

The notes on pages 22 to 36 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	General reserve *RMB'000*	Enterprise expansion reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2008	3,431	66,596	77,338	18,178	9,089	172,945	347,577
Total comprehensive income for the period	–	–	–	–	–	36,205	36,205
Transfer to general reserve	–	–	–	9,912	–	(9,912)	–
At 30 June 2008 (unaudited)	3,431	66,596	77,338	28,090	9,089	199,238	383,782
At 1 January 2009	3,431	66,596	77,338	28,090	9,089	144,566	329,110
Total comprehensive income for the period	–	–	–	–	–	33,331	33,331
Dividend paid relating to the year ended 31 December 2008	–	–	–	–	–	(20,160)	(20,160)
At 30 June 2009 (unaudited)	3,431	66,596	77,338	28,090	9,089	157,737	342,281

The notes on pages 22 to 36 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	**104,456**	(6,011)
Net cash used in investing activities	**(25,984)**	(29,483)
Net cash (used in)/generated from financing activities	**(114,713)**	12,709
Net decrease in cash and cash equivalents	**(36,241)**	(22,785)
Cash and cash equivalents at beginning of the period	**53,875**	52,010
Cash and cash equivalents at end of the period, representing bank balances and cash	**17,634**	29,225

The notes on pages 22 to 36 are an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

1. GENERAL INFORMATION

Good Friend International Holdings Inc. (the "Company") was incorporated in the Cayman Islands on 6 September 2005. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY-1111, Cayman Islands.

The Company and its subsidiaries (together, "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's shares have been listed on the Main Board of The Stock of Exchange of Hong Kong Limited (the "Stock Exchange") since 11 January 2006.

This condensed consolidated financial information are presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated financial information has been approved for issue by the Board of Directors on 22 September 2009.

2. BASIS OF PREPARATION

This condensed consolidated financial information for the six months ended 30 June 2009 has been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial period beginning 1 January 2009.

HKAS 1 (revised)	Presentation of financial statements
HKAS 23 (revised)	Borrowing costs
HKAS 27 (amendment)	Consolidated and separate financial statements
HKAS 32 and HKAS 1 (amendment)	Puttable financial instruments and obligation arising on liquidation
HKFRS 2 (amendment)	Share-based payment
HKFRS 7 (amendment)	Financial instruments: disclosures
HKFRS 8	Operating segments

HKAS 1 (revised), "Presentation of financial statements"

The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present one statement: a statement of comprehensive income. The interim financial information has been prepared under the revised disclosure requirements.

HKFRS 8, "Operating segments"

HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers have been identified as the executive directors that make strategic decisions.

Following the adoption of HKFRS 8, the presentation of the segment results and segment assets has changed.

3. ACCOUNTING POLICIES (Continued)

HKFRS 7, "Financial instruments: disclosures"

The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements for the year ending 31 December 2009.

The adoption of other new standards and amendments to standards does not have significant impact on the Group's financial information.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial period beginning 1 January 2009, but are not currently relevant to the Group.

HKAS 32 (amendment)	Financial instruments: Presentation
HK(IFRIC) 9 (amendment)	Reassessment of embedded derivatives
HK(IFRIC) 13	Customer loyalty programmes
HK(IFRIC) 15	Agreements for the construction of real estate
HK(IFRIC) 16	Hedges of a net investment in a foreign operation

3. ACCOUNTING POLICIES (Continued)

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 January 2009 and have not been early adopted.

HKAS 39 (amendment)	Financial instruments: Recognition and measurement
HKFRS 3 (revised)	Business combinations
HKAS 27 (amendment)	Consolidated and separate financial statements
HKAS 28 (amendment)	Investments in associates
HKAS 31 (amendment)	Interests in joint ventures
HK(IFRIC) 17	Distributions of non-cash assets to owners
HK(IFRIC) 18	Transfer of assets from customers

HKICPA's improvements to HKFRS published in May 2009:

HKFRS 2 (amendment)	Share-based payment
HKFRS 5 (amendment)	Non-current assets held for ales and discounted operations
HKFRS 8 (amendment)	Operating segments
HKAS 1 (amendment)	Presentation of financial statements
HKAS 7 (amendment)	Statement of cash flows
HKAS 17 (amendment)	Leases
HKAS 36 (amendment)	Impairment of assets
HKAS 38 (amendment)	Intangible assets
HKAS 39 (amendment)	Financial instruments: Recognition and measurement
HK(IFRIC) 9 (amendment)	Reassessment of embedded derivatives
HK(IFRIC) 16 (amendment)	Hedges a foreign operation

4. SEGMENT INFORMATION

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

The Executive Directors consider 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 profit before income tax, which is consistent with that in the condensed consolidated financial information.

Revenue represents the amounts received and receivable for goods sold and services provided to customers, less returns and allowances, and net of value-added tax during the period. The revenue reported to the Executive Directors is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income.

4. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2009

	Machine tools *RMB'000* (unaudited)	**Parking garage structures** *RMB'000* (unaudited)	**Forklift trucks** *RMB'000* (unaudited)	**Total** *RMB'000* (unaudited)
Revenue – external sales	**272,410**	**32,070**	**35,262**	**339,742**
Segment profit/(loss) before income tax	**51,260**	**(1,594)**	**(4,564)**	**45,102**
Depreciation of property, plant and equipment	**(6,231)**	**(465)**	**(580)**	**(7,276)**
Depreciation of investment properties	**(145)**	**–**	**–**	**(145)**
Amortisation of intangible asset	**(428)**	**(69)**	**(1)**	**(498)**
Amortisation of prepaid lease payments	**(397)**	**(8)**	**(66)**	**(471)**
Income tax expense	**(7,443)**	**–**	**–**	**(7,443)**

For the six months ended 30 June 2008

	Machine tools *RMB'000* (unaudited)	Parking garage structures *RMB'000* (unaudited)	Forklift trucks *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
Revenue – external sales	268,012	46,674	92,104	406,790
Profit before income tax	52,782	(969)	(1,437)	50,376
Depreciation of property, plant and equipment	(5,602)	(708)	(574)	(6,884)
Amortisation of intangible asset	(468)	(48)	(3)	(519)
Amortisation of prepaid lease payments	(397)	(8)	(66)	(471)
Income tax expense	(7,546)	–	–	(7,546)

4. SEGMENT INFORMATION (Continued)

	Machine tools *RMB'000*	Parking garage structures *RMB'000*	Forklift trucks *RMB'000*	Total *RMB'000*
Total assets				
As at 30 June 2009 (unaudited)	**482,140**	**76,396**	**92,617**	**651,153**
As at 31 December 2008 (audited)	414,008	99,886	109,368	623,262
Additions to non-current assets (other than deferred income tax assets)				
As at 30 June 2009 (unaudited)	**26,762**	**–**	**4,398**	**31,160**
As at 31 December 2008 (audited)	40,057	809	5,383	46,249

A reconciliation of reportable segments' profit before income tax to total profit before income tax is provided as follows:

	Six months ended 30 June	
	2009 *RMB'000* **(unaudited)**	2008 *RMB'000* (unaudited)
Total segment profit before income tax	**45,102**	50,376
Corporate overhead	**(2,348)**	(4,391)
Finance income	**185**	224
Finance costs	**(2,165)**	(2,458)
Profit before income tax	**40,774**	43,751

4. SEGMENT INFORMATION (Continued)

A reconciliation of reportable segments' assets to total assets is provided as follows:

	As at 30 June 2009 *RMB'000* **(unaudited)**	As at 31 December 2008 *RMB'000* (audited)
Total segment assets	**651,153**	623,262
Bank balances and cash	**17,634**	53,875
Pledged fixed deposits	**47,302**	8,782
Tax recoverable	**–**	7,303
Deferred tax assets	**4,236**	3,602
Total assets per balance sheet	**720,325**	696,824

5. OTHER INCOME

	Six months ended 30 June	
	2009 *RMB'000* **(unaudited)**	2008 *RMB'000* (unaudited)
Government subsidies	**836**	1,110
Gain on disposal of property, plant and equipment	**904**	–
Rental income	**226**	313
Repair income	**698**	1,067
Sales of scrap materials	**1,272**	2,764
Others	**162**	480
	4,098	5,734

6. OPERATING PROFIT

Operating profit is stated after charging the followings:

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(Reversal of)/allowance for bad and doubtful debts	**(9,358)**	2,690
Amortisation of intangible assets	**498**	519
Amortisation of prepaid lease payments	**471**	471
Depreciation of property, plant and equipment	**7,276**	6,884
Depreciation of investment properties	**145**	–
Write down of inventories	**1,538**	436
Exchange loss/(gain)	**433**	(2,686)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Enterprise income tax in the People's Republic of China (the "PRC")		
Current tax	**6,071**	5,412
Underprovision in prior year	**109**	–
Deferred tax	**1,263**	2,134
	7,443	7,546

7. INCOME TAX EXPENSE (Continued)

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

Enterprise income tax ("EIT") is provided for enterprises in the PRC on the basis of the profit for statutory financial reporting purpose. In 2008, Hangzhou Good Friend Precision Machinery Co., Ltd. ("Hangzhou Good Friend") was approved the New and High-Tech Enterprise status by the relevant government authorities and it is entitled a reduced tax rate of 15% for a three-year period commencing 2008. Accordingly, the applicable tax rate for Hangzhou Good Friend is 15% (2008: 15%).

Other group companies did not have taxable profits for both periods.

8. DIVIDEND

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interim dividend of RMB0.09 (2008: RMB0.06) per share	**30,240**	20,160

At a meeting of the Board held on 22 September 2009, the directors have declared an interim dividend of RMB0.09 per share for the six months ended 30 June 2009. This interim dividend was not recognised as dividend payable in the unaudited condensed consolidated financial information for the six months ended 30 June 2009.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the equity holders of the Company of RMB33.33 million (six months ended 30 June 2008: RMB36.2 million) and 336,000,000 (2008: 336,000,000) shares in issue.

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

10. PROPERTY, PLANT AND EQUIPMENT

	2009	2008
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Opening net book amount at 1 January	**152,084**	122,040
Additions	**22,676**	20,866
Disposals	**(1,513)**	(438)
Transfer to investment properties *(Note)*	**(6,126)**	–
Depreciation	**(7,276)**	(6,884)
Closing net book amount at 30 June	**159,845**	135,584

Note:

During the six months ended 30 June 2009, the Group had leased out certain of its property to third party tenants. Accordingly, the carrying amount of the property leased out had been reclassified as investment properties *(see Note 11)*.

11. INVESTMENT PROPERTIES

	2009	2008
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Opening net book amount at 1 January	**–**	–
Additions	**3,117**	–
Transfer from property, plant and equipment	**6,126**	–
Depreciation	**(145)**	–
Closing net book amount at 30 June	**9,098**	–

12. PREPAID LEASE PAYMENTS

Prepaid lease payments represent acquisition costs paid for acquiring land use rights in the PRC for periods ranging from 49 to 50 years. At 30 June 2009, certain parcels of land had not yet been developed.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2009 **RMB'000** **(unaudited)**	31 December 2008 *RMB'000* (audited)
Trade debtors	**225,877**	173,557
Less: Allowance for doubtful debts	**(28,819)**	(38,177)
	197,058	135,380
Other debtors, deposits and prepayments	**40,178**	33,713
	237,236	169,093

During the period, the Group normally granted credit terms of 30 to 180 days to its customers. The ageing analysis of trade debtors, based on overdue date and net of provision, is as follows:

	30 June 2009 **RMB'000** **(unaudited)**	31 December 2008 *RMB'000* (audited)
Current – 30 days	**156,295**	104,387
31 – 60 days	**5,724**	5,178
61 – 90 days	**4,500**	4,607
91 – 180 days	**12,222**	9,804
Over 180 days	**18,317**	11,404
Total debtors	**197,058**	135,380

14. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors at the balance sheet dates:

	30 June 2009	31 December 2008
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade creditors	**125,199**	84,892
Other creditors and accrued charges	**117,608**	94,780
Total creditors and accrued charges	**242,807**	179,672

During the period, the Group had been normally granted credit terms of 30 to 60 days from its suppliers and creditors. The ageing analysis of trade creditors, based on the invoice date, is as follows:

	30 June 2009	31 December 2008
	RMB'000	*RMB'000*
	(unaudited)	(audited)
1 – 30 days	**60,546**	54,836
31 – 60 days	**33,088**	17,668
61 – 90 days	**7,619**	6,414
91 – 180 days	**21,772**	4,197
Over 180 days	**2,174**	1,777
Trade creditors	**125,199**	84,892

15. PLEDGED BANK DEPOSITS AND BANK BORROWINGS

During the current period, the Group obtained new bank loans of approximately RMB94.2 million (30 June 2008: RMB175.6 million) and repaid bank loans of approximately RMB150.1 million (30 June 2008: RMB160.4 million). The loans bear interest at market rates ranging from 0.68% to 4.86% per annum (30 June 2008: 2.82% to 12.46% per annum) and will be fully repayable within 2008.

Fixed deposits of RMB47.3 million (31 December 2008: RMB8.8 million) was pledged as security for the Group's bank borrowings.

15. PLEDGED BANK DEPOSITS AND BANK BORROWINGS (Continued)

Subsidiaries of the Company had pledged their land use rights and building with an aggregate carrying amount of RMB30.8 million (31 December 2008: RMB14.4 million) as at 30 June 2009 in order to secure banking facilities granted to the Group.

The Company and certain subsidiaries of the Group also issued corporate guarantees to banks for the borrowing facilities granted to the Group.

16. SHARE CAPITAL

	Number of shares *'000*	**Nominal value** *RMB'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 30 June 2009 and 31 December 2008	1,000,000	10,000
Issued and fully paid:		
At 30 June 2009 and 31 December 2008	336,000	3,431

17. CAPITAL COMMITMENTS

	30 June 2009 ***RMB'000*** **(unaudited)**	31 December 2008 *RMB'000* (audited)
Contracted but not provided for in respect of acquisition of property, plant and equipment	**5,205**	9,952

18. RELATED PARTY TRANSACTIONS

(a) Transactions and balances

During the period and as at the balance sheet date, 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 **2009** ***RMB'000*** **(unaudited)**	2008 *RMB'000* (unaudited)
Fair Friend Enterprise Company Limited	Ultimate holding company	Sales of goods *(Note i)*	**155**	–
		Purchase of materials *(Note i)*	**17,322**	–
Good Friend (H.K.) Corporation Limited	Immediate holding company	Purchase of materials *(Note i)*	**9,543**	–
Hangzhou Feeler Takamatsu Machinery Co., Ltd.	Associate of ultimate holding company	Sales of goods *(Note i)*	**217**	714
Fairskq (Taiwan) Co., Ltd. holding company	Associate of ultimate holding company	Sales of goods *(Note i)*	**–**	182
Hangzhou Fair Fine Electric & Machinery Co., Ltd	Fellow subsidiary	Sales of goods *(Note i)*	**14**	–

Balances

Name of company	Relationship	Nature of balances	**30 June 2009** ***RMB'000*** **(unaudited)**	31 December 2008 *RMB'000* (audited)
Fair Friend Enterprise Company Limited	Ultimate holding company	Trade receivables *(Note ii)*	**70**	–
		Advance *(Note ii)*	**2,451**	–
		Trade payables *(Note iii)*	**419**	160
Hangzhou Fair Fine Electric & Machinery Co., Ltd.	Fellow subsidiary	Trade receivables *(Note ii)*	**14**	1
Good Friend (H.K.) Corporation Limited	Immediate holding company	Trade payables *(Note iii)*	**1,193**	2,292

18. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions and balances (Continued)

Notes:

(i) The sales and purchases are conducted in accordance with respective agreements.

(ii) The Group grants a normal credit period of 90 days for trade receivables with related companies. Balances are unsecured and interest free.

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

(b) Compensation of key management personnel

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Salaries, allowances and benefits in kind	**1,211**	1,373

19. EVENTS AFTER THE BALANCE SHEET DATE

The Company entered into a shareholders' agreement with Anest Iwata Corporation ("AIC") and Anest Iwata Taiwan Corporation ("AIT") to establish a joint venture in the PRC. The joint venture will be engaged in production, assembly and supply of air compressors, their related components, accessories and spare parts. AIT is a related company of Fair Friend Enterprise Company Limited, the ultimate holding company of the Company.

Pursuant to the provisions in the shareholders' agreement, the Company will contribute US$2,625,000 and own 35% equity interest in the joint venture. The shareholders' agreement was approved by the shareholders on 30 July 2009.

20. HOLDING COMPANY

The Directors regard Fair Friend Enterprise Company Limited, a company incorporated in Taiwan, as being the ultimate holding company.