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
2010

CONTENTS

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
Bank of China
Cathay United Bank
Hang Seng Bank Limited
Industrial and Commercial Bank of China
Industrial Bank of Taiwan
Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

2398

WEBSITE

http://www.goodfriend.hk

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

For the six months ended 30 June 2010, the Group recorded revenue of approximately RMB581.82 million, representing an increase of approximately 71.3% as compared to the corresponding period in 2009. 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 RMB474.26 million, representing an increase of 74.1% as compared to the corresponding period in last year. Revenue of CNC machine tools accounted for approximately 81.5% 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 also increased by 72.4%, as compared to corresponding period in last year, to approximately RMB60.78 million and approximately 10.5% of the Group's total revenue. Moreover, sales revenue of parking garage structures amounted to approximately RMB46.78 million during the period under review, representing an increase of approximately 45.9% as compared to corresponding period in last year and accounted for approximately 8% of the total revenue.

Gross profit and margin

During the period under review, gross profit of the Group amounted to approximately RMB153.52 million. Overall gross profit margin was approximately 26.4%, compared to 25.4% 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 maintained at approximately 29.2%. Moreover, the gross profit margin of the forklift trucks during the period under review was increased through the upward adjustment of the selling prices of the product in view of improvement of the market condition. As a result, the overall gross profit margin for the period under review increased slightly.

Distribution and selling expenses

Distribution and selling expenses increased by approximately 45.5% to approximately RMB48.53 million for the six months ended 30 June 2010. Such increase was mainly due to the increase in sales revenue of its major product CNC machine tools during the period under review. The relevant expenditures including costs of sales staff, transportation costs therefore increased accordingly. During the period under review, distribution and selling expenses as a percentage of the Group's revenue was approximately 8.3%, compared to 9.8% for the corresponding period in last year.

Administrative expenses

During the period under review, administrative expenses increased by approximately 78.1% to approximately RMB24.46 million. There was a write back of RMB2.82 million allowances for trade and doubtful debts during the period under review, compared with RMB9.36 million for the corresponding period in last year. Despite that, administrative expenses increased by approximately 18.1%. This was mainly attributable to the increase of those general office expenses, depreciation charges and the staff costs.

Finance costs

During the period under review, finance costs decreased to approximately RMB1.5 million. The decrease was primarily due to the decrease of average bank borrowings of the Group during the period.

Profit attributable to the equity holders of the Company

For the six months ended 30 June 2010, profit attributable to the equity holders of the Company amounted to approximately RMB70.12 million, representing an increase of approximately 110.4% as compared to the same period last year.

Business review

During the first half of 2010, sales volume of CNC machine tools, parking garage structures and forklift trucks amounted to 1,077 units, 3,076 units and 894 units respectively (2009 comparative figures: 578 units, 1,905 units and 523 units). Sales of all businesses of the Group showed noticeable increasing trend during the period under review. More than 80% of the Group's revenue was generated from the mainstream product CNC machine tools. CNC machine tools focuses mainly in China, with the major customers of the product being those automobile and mechanical manufacturers. The economy of China began to recover in the second half of 2009 and this trend continued in 2010. Sales orders for the Group's CNC machine tools business therefore recorded remarkable growth. For the six months ended 30 June 2010, sales volume and sales revenue of CNC machine tools amounted to 1,077 units and approximately RMB474.26 million respectively, representing encouraging growth when compared to corresponding period in last year. During the period under review, the Group also recorded revenue of approximately RMB43.05 million for its double column machining centre, whilst selling price of such product is approximately 2 times or more the average selling price of the Group's CNC machine tools products. On the other hand, driven by robust demand in China, sales revenue of the Group's forklift trucks business also recorded remarkable growth of 72.4% during the period under review. Accordingly the proportion of the domestic sales of the forklift trucks was increased to 60%.

Moreover, for the seven months ended 31 July 2010, the Group received sales orders from customers of 2,211 units in respect of its CNC machine tools business, amounting to approximately RMB942.69 million (excluding tax). This is a testimonial to the good acceptance of the Group's products by the customers. The Group will continue to expand its production capacity in order to meet the robust demand from the customers. Furthermore, the Company completed the offering and listing of 67,200,000 units of Taiwan Depositary Receipts ("TDR") on the Taiwan Stock Exchange Corporation in March 2010. Apart from increasing the public awareness of the Group as well as promoting the Group's corporate image, the issue of TDR also provides an additional fundraising platform for the Group. The net proceeds raised from the issue of TDR amounted to approximately RMB 205.8 million. Such funds will mainly be utilized for purchases of machineries and equipments and construction of plants by Hangzhou Ever Friend Precision Machinery Co., Ltd. (in respect of its production base in Xiasha, Hangzhou) and Hangzhou Glory Friend Machinery Technology Co., Ltd. (in respect of its production base in Jiangdong, Hangzhou). With such strong financial backup, the Group can therefore further expand its production capacity in respect of its CNC machine tools business.

Strategic Acquisition

On 24 June 2010, the Group entered into an agreement to acquire specific assets of the "Rambaudi" business division of Sachman Rambaudi, including tangible assets, inventories and intangible assets at an aggregate consideration of Euro 2,258,865.30 (equivalent to approximately RMB18.89 million). The "Rambaudi" business division of Sachman Rambaudi was principally engaged in the design and production of milling and machining centers for aerospace and mould and die. The management considers that this acquisition could provide an opportunity for the Group to enhance its product portfolio in particular for the application sectors of aerospace and mould and die, which is beneficial to the Group's overall business development.

Prospects

The gross domestic product (GDP) of China for the first half of 2010 achieved a growth of 11.1%. The economy of China continued to maintain its increasing trend. The Group stands to benefit accordingly by virtue of the fact that its mainstream product CNC machine tools focuses mainly in China market. Moreover, purchases of machine tools keep rising in China at a CAGR of 12.7% from 2005 to 2009. China therefore has a great demand for machine tools and in turn provides ample room for the development of the machine tools industry. China is the largest machine tools consuming country. The Group will continue to expand its production capacity and enhance its production efficiency, in order to meet the robust demand from the domestic market and provide high quality CNC machine tools to the customers so as to solidify the Group's market share in China.

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. On the other hand, the Group will also look for appropriate investing and acquisition activities. The Group is committed to become an international CNC machine tools manufacturer to bring favorable returns to the shareholders of the Company. In conclusion, the management is optimistic about China's economic development prospects 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 2010, the Group's cash and cash equivalents amounted to approximately RMB162.26 million (at 31 December 2009: RMB68.14 million). As at 30 June 2010, the Group had net current assets of approximately RMB307.29 million (at 31 December 2009: RMB132.93 million) and short-term bank borrowings of approximately RMB110.82 million (at 31 December 2009: RMB117.30 million). The current ratio (total current assets to total current liabilities) of the Group as at 30 June 2010 was approximately 1.5 (at 31 December 2009: 1.3). The gearing ratio as at 30 June 2010 (total interest bearing liabilities to total assets) was approximately 10.6% (at 31 December 2009: 15.4%), indicated that the Group's overall financial position remained strong.

Capital structure

The share capital of the Company as at 30 June 2010 was HK$4,032,000 divided into 403,200,000 shares of HK$0.01 each (at 31 December 2009: HK$3,360,000 divided into 336,000,000 shares of HK$0.01 each).

Staff and remuneration policies

As at 30 June 2010, the Group employed a total of approximately 1,460 full time employees (31 December 2009: 1,230) 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 RMB38 million (at 31 December 2009: RMB3.43 million) which were contracted but not provided in the financial statements. The Group also had commitments of RMB13.55 million (at 31 December 2009: RMB17.92 million) in respect of capital contribution to a joint venture company. The Group had no material contingent liabilities as at 30 June 2010 (at 31 December 2009: Nil).

Charges on the group's assets

As at 30 June 2010, the Group had restricted bank deposits with an amount of approximately RMB22.89 million (at 31 December 2009: RMB23.92 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 RMB40.44 million (31 December 2009: RM67.25 million) as at 30 June 2010 in order to secure banking facilities granted to the Group.

DISCLOSURE OF INTERESTS

Directors' interest in shares

As at 30 June 2010, 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	24,580,347 shares	15.61%
Mr. Chu Chih-Yaung *(Note 1)*	Taiwan FF	Spouse interest	4,618,925 shares	2.93%
Mr. Chu Chih-Yaung *(Note 2)*	Taiwan FF	Family interest	685,759 shares	0.44%
Mr. Chen Hsiang-Jung	Taiwan FF	Beneficial owner	4,662,841 shares	2.96%
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. 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%

Name of Director	Name of associated corporation	Nature of interest	Number and class of securities	Approximate percentage of shareholding
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	14,700 shares	0.17%
Mr. Chen Hsiang-Jung	友嘉國際股份有限公司 (Decaview Asia Corporation) *(Note 4)*	Beneficial owner	2,940 shares	0.03%
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 2.93% 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 0.17% 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 2010, 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 2010, 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 set out in the 2009 annual report of the Company.

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

Substantial shareholders

As at 30 June 2010, 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)*	62.5%
Taiwan FF	Interest of controlled corporation	252,000,000 shares *(Note)*	62.5%
Morgan Stanley	Beneficial owner	24,000,000 shares	5.95%

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)*	5.95%
Taiwan FF	Interest of controlled corporation	24,000,000 shares *(Note)*	5.95%

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 2010.

OTHER INFORMATION

Interim dividend

The Board declared an interim dividend of RMB0.15 (equivalent to approximately HK$0.172 according to the average middle rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China at the date of this announcement) per share for the six months ended 30 June 2010, in aggregate amounting to approximately RMB60.48 million (equivalent to approximately HK$69.35 million).

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

Purchase, redemption or sale of listed securities of the Company

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2010.

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 2010, 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 31 March 2010 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 2010. 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 2010 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, 5 August 2010

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 40, which comprises the condensed consolidated balance sheet of Good Friend International Holdings Inc. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2010 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies 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" issued by the Hong Kong Institute of Certified Public Accountants. 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,
5 August 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
	Notes	**2010**	2009
		RMB'000	*RMB'000*
Revenue	*4*	**581,817**	339,742
Cost of sales and construction contract costs		**(428,302)**	(253,589)
Gross profit		**153,515**	86,153
Other income	*5*	**6,798**	4,283
Distribution and selling expenses		**(48,532)**	(33,358)
Administrative expenses	*24*	**(24,460)**	(13,736)
Other expenses		**(1,980)**	(403)
Operating profit	*4, 6*	**85,341**	42,939
Finance costs		**(1,504)**	(2,165)
Profit before taxation		**83,837**	40,774
Income tax expense	*7*	**(13,716)**	(7,443)
Profit attributable to equity holders of the Company		**70,121**	33,331
Other comprehensive income		**–**	–
Total comprehensive income attributable to equity holders of the Company		**70,121**	33,331
Earnings per share for profit attributable to the equity holders of the Company – basic and diluted, in RMB	*8*	**0.19**	0.10

The notes on page 22 to 40 form an integral part of this condensed consolidated interim financial information.

Dividends	*9*	**60,480**	30,240

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2010 *RMB'000***	Audited 31 December 2009 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**194,912**	183,615
Investment properties	*11*	**2,109**	8,837
Intangible assets	*12*	**2,440**	2,726
Investment in a joint venture company	*13*	**4,301**	–
Deferred tax assets		**4,842**	5,235
Deposits for purchases of plant and equipment		**31,871**	2,443
Prepayment for a business acquisition	*14*	**18,890**	–
Land use rights	*15*	**41,782**	42,253
Total non-current assets		**301,147**	245,109
Current assets			
Inventories		**258,432**	209,534
Debtors, deposits and prepayments	*16*	**423,659**	262,140
Amounts due from customers for contract work		**8,557**	17,198
Amount due from ultimate holding company		**863**	588
Amounts due from a fellow subsidiary and an associate of ultimate holding company		**164**	–
Restricted bank deposits		**22,885**	23,919
Cash and cash equivalents		**162,262**	68,137
Total current assets		**876,822**	581,516
Total assets		**1,177,969**	826,625

	Note	**Unaudited 30 June 2010 *RMB'000***	Audited 31 December 2009 *RMB'000*
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*17*	**4,022**	3,431
Reserves		**392,531**	181,113
Retained earnings		**193,858**	178,311
Total equity		**590,411**	362,855
LIABILITIES			
Non-current liabilities			
Borrowings and loans	*18*	**13,582**	10,241
Deferred tax liabilities		**4,443**	4,943
Total non-current liabilities		**18,025**	15,184
Current liabilities			
Creditors, other payables and accrued charges	*19*	**423,189**	291,655
Amounts due to customers for contract work		**11,285**	18,576
Amount due to immediate holding company		**3,345**	6,448
Amount due to a joint venture company		**2,582**	–
Tax payable		**11,644**	9,406
Warranty provision		**6,671**	5,204
Borrowings and loans	*18*	**110,817**	117,297
Total current liabilities		**569,533**	448,586
Total liabilities		**587,558**	463,770
Total equity and liabilities		**1,177,969**	826,625
Net current assets		**307,289**	132,930
Total assets less current liabilities		**608,436**	378,039

The notes on pages 22 to 40 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited					
	Note	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserves *RMB'000*	Other reserves *RMB'000*	Retained Earning *RMB'000*	Total Equity *RMB'000*
Balance at 1 January 2009		3,431	66,596	77,338	37,179	144,566	329,110
Total comprehensive income for the period ended 30 June 2009		–	–	–	–	33,331	33,331
Dividends relating to 2008 paid in June 2009		–	–	–	–	(20,160)	(20,160)
Balance at 30 June 2009		3,431	66,596	77,338	37,179	157,737	342,281

		Unaudited					
	Note	**Share capital** ***RMB'000***	**Share premium** ***RMB'000***	**Capital reserves** ***RMB'000***	**Other reserves** ***RMB'000***	**Retained Earning** ***RMB'000***	**Total Equity** ***RMB'000***
Balance at 1 January 2010		**3,431**	**66,596**	**77,338**	**37,179**	**178,311**	**362,855**
Total comprehensive income for the period ended 30 June 2010		**–**	**–**	**–**	**–**	**70,121**	**70,121**
Proceeds from issuance of Taiwan Depositary Receipts ("TDRs")	*17*	**591**	**205,228**	**–**	**–**	**–**	**205,819**
Appropriations to reserve		**–**	**–**	**–**	**6,190**	**(6,190)**	**–**
Dividends relating to 2009 paid in May 2010		**–**	**–**	**–**	**–**	**(48,384)**	**(48,384)**
Balance at 30 June 2010		**4,022**	**271,824**	**77,338**	**43,369**	**193,858**	**590,411**

The notes on page 22 to 40 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Cash flows (used in)/from operating activities		
Continuing operations	**6,492**	103,144
– income tax (paid)/refund	**(11,085)**	1,312
Net cash (used in)/generated from operating activities	**(4,593)**	104,456
Cash flows from investing activities		
– investment in a joint venture company	**(4,301)**	–
– acquisition of property, plant and equipment and intangible assets	**(13,264)**	(11,656)
– deposit paid for purchases of property, plant and equipments	**(38,919)**	(14,880)
– proceeds from disposal of property, plant and equipment	**1,376**	2,379
– (increase)/decrease in restricted bank deposit	**1,034**	(38,520)
Net cash used in investing activities	**(54,074)**	(62,677)
Cash flows from financing activities		
– proceeds from issuance of TDRs	**205,819**	–
– proceeds from new borrowings	**91,158**	94,333
– repayments of borrowings	**(94,297)**	(150,213)
– dividends paid to equity holders	**(48,384)**	(20,160)
– interest paid	**(1,504)**	(1,980)
Net cash generated from/(used in) financing activities	**152,792**	(78,020)
Net increase/(decrease) in cash and cash equivalents	**94,125**	(36,241)
Cash and cash equivalents at the beginning of the period	**68,137**	53,875
Cash and cash equivalents at end of the period	**162,262**	17,634

The notes on page 22 to 40 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 Ky-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.

These condensed consolidated interim financial information are presented in Renminbi ("RMB"), unless otherwise stated. These condensed consolidated interim financial information have been approved for issue by the Board of Directors on 5 August 2010.

This condensed consolidated interim financial information has not been audited.

Key events

On 18 March 2010, the Company issued 67.2 million units of Taiwan Depository Receipts which are listed on the Taiwan Stock Exchange. Approximately RMB 206 million net proceeds were received. See Note 17 for details.

On 24 June 2010, a newly incorporated subsidiary in Italy, Sky Thrive Rambaudi S.r.l., entered into an agreement with an Italian third party to acquire certain assets, employees and the business relating to certain models of computer numerical control machine tools at an aggregate consideration of approximately RMB19 million. The acquisition was completed on 19 July 2010. See Note 14 for details.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICY

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, 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 2010.

HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 28 (Amendment)	Investment in associates
HKAS 31 (Amendment)	Interest in joint ventures
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transaction
HKFRS 3 (Revised)	Business combination
HK(IFRIC) 17	Distributions of non-cash assets to owners

3 ACCOUNTING POLICY (Continued)

HKAS 27 (Revised), "Consolidated and separate financial statements"

HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

The Group has applied this revised standard prospectively from 1 January 2010 and management have assessed that this revised standard does not have a significant impact on the Group's financial statements for the six months period ended 30 June 2010 since there was no transaction undertaken with non-controlling interests.

HKAS 31 (Amendment), "Interest in joint ventures"

The amendment requires that when an investor ceases to have joint control over an entity, it shall account for any remaining investment in accordance with HKAS 39 from that date, provided that the former jointly controlled entity does not become a subsidiary or associate. From the date on which when a jointly controlled entity becomes a subsidiary of an investor, the investor shall account for its interest in accordance with HKAS 27 and HKFRS 3 Business Combinations (as revised in 2008). From the date on which when a jointly controlled entity becomes an associate of an investor, the investor shall account for its interest in accordance with HKAS 28. On the loss of joint control, the investor shall measure at fair value any investment the investor retains in the former jointly controlled entity.

The Group has applied this revised standard prospectively from 1 January 2010 and management have assessed that this amendment does not have a significant impact on the Group's financial statements for the six months period ended 30 June 2010 since there was no ceasing in joint control over an entity in current period.

3 ACCOUNTING POLICY (Continued)

HKFRS 3 (Revised), "Business combinations"

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

The standard was applied to the acquisition of a business and the related group of assets and employees from an Italian company during the period. See Note 14 for further details.

The other new standards and amendments to standards are not currently relevant to the Group.

The following new standards, new interpretations and amendments to standards and interpretations have been issued but they are not effective for the financial period beginning 1 January 2010 and have not been early adopted:

HKAS 24 (revised)	Related party disclosures
Amendment to HKAS 32	Classification of rights issues
Amendment to HKFRS 1	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
HKFRS 9	Financial instruments
Amendment to HK(IFRIC) 14	Prepayments of a minimum funding requirement
HK(IFRIC) 19	Extinguishing financial liabilities with equity instruments

4 SEGMENT INFORMATION

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

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

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

The Group does not allocate operating costs 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.

4 SEGMENT INFORMATION (Continued)

Six months ended 30 June 2010

	Machine Tools RMB'000 (Unaudited)	Parking Garage structures RMB'000 (Unaudited)	Forklift Trucks RMB'000 (Unaudited)	Unallocated RMB'000 (Unaudited)	Total Group RMB'000 (Unaudited)
Revenue (all from external sales)	**474,255**	**46,779**	**60,783**	**–**	**581,817**
Cost of Sales	**(335,804)**	**(40,050)**	**(52,448)**	**–**	**(428,302)**
Segment profit	**138,451**	**6,729**	**8,335**	**–**	**153,515**
Other income				**6,798**	**6,798**
Distribution and selling expenses				**(48,532)**	**(48,532)**
Administrative expenses				**(24,460)**	**(24,460)**
Other expenses				**(1,980)**	**(1,980)**
Operating profit				**(68,174)**	**85,341**
Finance costs				**(1,504)**	**(1,504)**
Profit before taxation				**(69,678)**	**83,837**
Income tax expense				**(13,716)**	**(13,716)**
Profit for the period					**70,121**

Six months ended 30 June 2009

	Machine Tools RMB'000 (Unaudited)	Parking Garage structures RMB'000 (Unaudited)	Forklift Trucks RMB'000 (Unaudited)	Unallocated RMB'000 (Unaudited)	Total Group RMB'000 (Unaudited)
Revenue (all from external sales)	272,410	32,070	35,262	–	339,742
Cost of Sales	(191,258)	(28,769)	(33,562)	–	(253,589)
Segment profit	81,152	3,301	1,700	–	86,153
Other income				4,283	4,283
Distribution and selling expenses				(33,358)	(33,358)
Administrative expenses				(13,736)	(13,736)
Other expenses				(403)	(403)
Operating profit				(43,214)	42,939
Finance costs				(2,165)	(2,165)
Profit before taxation				(45,379)	40,774
Income tax expense				(7,443)	(7,443)
Profit for the period					33,331

5 OTHER INCOME

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of scrap materials	**2,826**	1,272
Government subsidies	**1,696**	836
Repair income	**1,122**	698
Rental income from investment properties	**291**	226
Gain on disposal of property, plant and equipment	**189**	904
Interest income	**418**	185
Others	**256**	162
	6,798	4,283

6 OPERATING PROFIT

Operating profit is stated after charging of the followings:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reversal of allowance for bad and doubtful debts	**(2,818)**	(9,358)
Amortisation of intangible assets	**615**	480
Amortisation of land use rights	**471**	471
Depreciation of property, plant and equipment	**8,494**	7,276
Depreciation of investment properties	**66**	145
(Reversal of provision against)/write down of inventories	**(935)**	1,538
Research and development expenses	**10,273**	10,903
Exchange loss	**420**	433
Loss on disposal of property, plant and equipment	**869**	38

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC enterprise income tax	**13,323**	6,180
Deferred tax	**393**	1,263
	13,716	7,443

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

Enterprise income tax ("EIT") is provided for enterprises in the PRC on the basis of their profit for statutory financial reporting purposes. In 2008, Hangzhou Good Friend Precision Machinery Co., Ltd. ("Hangzhou Good Friend"), a subsidiary of the Group, was approved the New and High-Tech Enterprise status by the relevant government authorities and it is entitled to a reduced tax rate of 15% for a three-year period commencing 2008. Accordingly, the applicable tax rate for Hangzhou Good Friend for the current period is 15% (2009: 15%).

Other Group companies did not have any assessable profits for both periods.

8 EARNINGS PER SHARE

	Six months ended 30 June (RMB per share)	
	2010 **(Unaudited)**	2009 (Unaudited)
Earnings per share for profit for the period attributable to the equity holders of the Company – basic	**0.19**	0.10

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB70,121,000 (six months period ended 30 June 2009: RMB33,331,000) and 374,983,000 (2009: 336,000,000) ordinary shares.

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

9 DIVIDENDS

	Six months ended 30 June	
	2010 ***RMB'000*** **(Unaudited)**	2009 *RMB'000* (Unaudited)
Interim dividend of RMB0.15 (2009: RMB0.09) per share	**60,480**	30,240

At a meeting of the Board held on 5 August 2010, the directors declared an interim dividend of RMB0.15 (2009: RMB0.09) per share for the six months ended 30 June 2010. This interim dividend was not recognised as dividend payable in the unaudited condensed consolidated financial information for the six months ended 30 June 2010.

10 PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment
	RMB'000
	(Unaudited)
Six months ended 30 June 2009	
Opening net book amount as at 1 January 2009	152,084
Additions	22,676
Disposals	(1,513)
Transfer to investment properties	(6,126)
Depreciation and amortisation	(7,276)
Closing net book amount as at 30 June 2009	159,845
Six months ended 30 June 2010	
Opening net book amount as at 1 January 2010	183,615
Additions	15,184
Disposals	(2,055)
Transfer from investment properties *(note a)*	6,662
Depreciation and amortisation	(8,494)
Closing net book amount as at 30 June 2010	194,912

Note a: During the six months period ended 30 June 2010, the Group terminated certain lease agreements of certain portion of its investment property and kept them for own use. Accordingly, the relevant carrying amount of the relevant portion of the investment properties as at the date of change of usage was transferred to fixed assets.

11 INVESTMENT PROPERTIES

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Opening net book amount as at 1 January 2010	**8,837**	–
Additions	**–**	3,117
Transfer from property, plant and equipment	**–**	6,126
Transfer to property, plant and equipment *(Note 10(a))*	**(6,662)**	–
Depreciation	**(66)**	(145)
Closing net book amount as at 30 June	**2,109**	9,098

12 INTANGIBLE ASSETS

	Intangible assets
	RMB'000
	(Unaudited)
Six months ended 30 June 2009	
Opening net book amount as at 1 January 2009	2,664
Amortisation	(480)
Closing net book amount as at 30 June 2009	2,184
Six months ended 30 June 2010	
Opening net book amount as at 1 January 2010	2,726
Additions	329
Amortisation	(615)
Closing net book amount as at 30 June 2010	2,440

13 INVESTMENT IN A JOINT VENTURE COMPANY

In January 2010, the Company contributed approximately USD630,000 (equivalent to RMB4,301,000) paid-in capital into a joint venture company in China, Anest Iwata Feeler Corporation ("AIF"). AIF was established by the Company, a third party, Anest Iwata Corporation ("AIC") and a joint venture company, Anest Iwata Taiwan("AIT"), of the Company's ultimate holding company in 2009. Interest held by the Company, AIC and AIT in AIF is 35%, 35% and 30% respectively. The Company uses equity method to recognize its interests in AIF.

14 PREPAYMENT FOR A BUSINESS ACQUISITION

On 24 June 2010, the Company, through a newly incorporated subsidiary in Italy named Sky Thrive Rambaudi S.r.l. ("ST Rambaudi"), entered into a "Transfer of a Business Concern" agreement with the receiver for the liquidation Sachman Rambaudi S.p.a. ("Sachman Rambaudi"), a third party Italian company, in relation to the purchase of a business (including the relevant assets and employees) relating to certain models of computer numerical control machine tools owned by Sachman Rambaudi at an aggregate consideration of EUR2,259,000 (equivalent to approximately RMB18,890,000).

50% of the purchase consideration amounting to EUR1,1 million (equivalent to approximately RMB9,4 million) was required to be paid before the execution of the agreement. The remaining 50% of consideration would be paid within 12 months from the business transfer date.

Due to the fact that the business acquisition had not been completed as of 30 June 2010, the consideration paid and payable for such transaction had been recorded and accrued for in full as a long term prepayment for a business acquisition, with the corresponding accrual of the 50% consideration payable recognized in Creditors, other payables and accrued charges of the consolidated balance sheet of the Group as of 30 June 2010. The acquisition was completed on 19 July 2010. At the time this interim financial information was authorised for issuance, the initial accounting for the business combination is incomplete due to the fact that a required purchase price allocation was still underway. Accordingly, the fair values of the respective identifiable assets/liabilities/contingent liabilities of the business as of the acquisition date are unavailable.

15 LAND USE RIGHTS

The amounts represent prepared operating lease rentals relating to land use rights in the PRC with land grant period ranging from 10 to 50 years. The movement of the balance is analysed as follows:

	Unaudited	
	2010	2009
	RMB'000	*RMB'000*
Opening net book amount as at 1 January	**42,253**	43,196
Amortisation	**(471)**	(471)
Closing net book amount as at 30 June	**41,782**	42,725

16 DEBTORS, DEPOSITS AND PREPAYMENTS

	As at	
	30 June	31 December
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade debtors	**358,421**	230,114
Less: Allowance for doubtful debts	**(22,677)**	(25,866)
	335,744	204,248
Deposits to suppliers	**50,056**	30,778
Other debtors	**37,859**	27,114
Total debtors, deposits and prepayments	**423,659**	262,140

16 DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

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-year warranty period. The aging analysis of trade debtors, net of allowance of doubtful debts, is as follows:

	As at	
	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current - 30 days	**274,725**	165,767
31 - 60 days	**12,022**	10,008
61 - 90 days	**11,009**	2,081
91 - 180 days	**13,228**	7,876
Over 180 days	**47,437**	44,382
	358,421	230,114

17 SHARE CAPITAL

	Number of shares	**Nominal value**
	'000	RMB'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 30 June 2010 and 31 December 2009	1,000,000	10,211
Issued and fully paid:		
At 1 January 2009 and 30 June 2009	336,000	3,431
Opening balance 1 January 2010	336,000	3,431
Issuance of TDRs	67,200	591
At 30 June 2010	403,200	4,022

17 SHARE CAPITAL (Continued)

On 18 March 2010, the Company issued 67.2 million units of Taiwan depository receipts ("TDRs") at NTD14.5 (RMB3.121) per unit and they were listed on the Taiwan Stock Exchange. The Company received net proceeds amounting to approximately NTD956 million (equivalent to approximately RMB206 million). Approximately RMB155 million of the proceeds were injected by the Company into its subsidiaries in the PRC as additional registered capital and the remaining balance of approximately RMB51 million was utilised for repayment of bank borrowings.

18 BORROWINGS AND LOANS

	As at	
	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(unaudited)	(Audited)
Non-current	**13,582**	10,241
Current	**110,817**	117,297

Movements of borrowings are analysed as follows:

	RMB'000 (Unaudited)
Six months ended 30 June 2010	
Opening amount as at 1 January 2010	**127,538**
New borrowings draw down	**91,158**
Repayments of borrowings	**(94,297)**
Closing amount as at 30 June 2010	**124,399**

18 BORROWINGS AND LOANS (Continued)

The borrowings bear interest at market rates ranging from 1.61% to 5.31% per annum (30 June 2009: 0.68% to 4.86% per annum). All the long term borrowings will be fully repayable within 2011.

Subsidiaries of the Company had pledged their land use rights and buildings with an aggregate carrying amount RMB14,001,000 and 26,442,000, respectively (31 December 2009: RMB14,156,000 and 53,091,000) as at 30 June 2010 in order to secure the general banking facilities granted by certain banks to it.

19 CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES

	As at	
	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade creditors	**210,443**	157,174
Advance deposits from customers	**155,611**	95,053
Other payables	**25,691**	22,656
Accrued charges	**22,045**	16,772
Consideration payable for a business acquisition *(note 14)*	**9,399**	–
	423,189	291,655

19 CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES (Continued)

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

	As at	
	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current - 30 days	**196,973**	108,094
31 - 60 days	**12,344**	13,224
61 - 90 days	**695**	14,864
91 - 180 days	**272**	20,846
Over 180 days	**159**	146
	210,443	157,174

20 CAPITAL COMMITMENTS

	As at	
	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in respect of		
– acquisition of property, plant and equipment	**38,000**	3,425
– capital injection into a joint venture company	**13,547**	17,924
	51,547	21,349

21 RELATED-PARTY TRANSACTIONS

(a) Transaction 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 **2010** ***RMB'000*** **(Unaudited)**	 2009 *RMB'000* (Unaudited)
Fair Friend Enterprise Company Limited ("Fair Friend")	Ultimate holding company	Sales of goods Purchases of goods	**184** **24**	155 17,322
Good Friend (H.K.) Corporation Limited ("Hong Kong GF")	Immediate holding company	Purchases of goods	**70,115**	9,543
Hangzhou Feeler Takamatsu Machinery Co., Ltd. ("Feeler Takamatsu")	Associate of ultimate holding company	Sales of goods Purchase of goods	**118** **5**	217 –
Hangzhou Fair Fine Electric & Machinery Co., Ltd. ("Fair Fine")	Fellow subsidiary	Sales of goods	**1**	14

21 RELATED-PARTY TRANSACTIONS (Continued)

(a) Transaction and balances (Continued)

Transactions: (Continued)

The terms of the above transactions are governed based on framework agreements entered into between the Company with Fair Friend or its subsidiaries/associates.

Balances

Name of company	Relationship	Nature of balances	30 June 2010 *RMB'000* (Unaudited)	31 December 2009 *RMB'000* (Audited)
Fair Friend	Ultimate holding company	Trade receivable *(note (a))*	**863**	588
Fair Fine	Fellow subsidiary	Trade receivable *(note (a))*	**1**	–
		Other receivable *(note (a))*	**25**	–
Hong Kong GF	Immediate holding company	Trade receivable *(note (a))*	**–**	3,636
		Trade payable *(note (b))*	**3,345**	10,084
Anest Iwata Feeler Corporation	Joint venture company	Other payable *(note (b))*	**2,582**	–
Feeler Takamatsu	Associate of ultimate holding company	Trade receivable	**138**	–

(a) The Group allows a normal credit period of 90 days for sales made to the fellow subsidiary and the ultimate holding company. Balances are unsecured and interest free.

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

21 RELATED-PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries and other allowances	**1,249**	1,211

22 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

As mentioned in Note 14, the Company completed the purchase of a business from Sachman Rambaudi on 19 July 2010.

23 HOLDING COMPANY

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

24 COMPARATIVE FIGURERS

In prior years/periods, the Company presented its research and development expenses separately in cost of sales, distribution and selling expenses, and administrative expenses. During the six months ended 30 June 2010, the Company changed its mode of presentation of these expenses by aggregating them as a component of its administrative expenses only. The directors of the Company consider this presentation format would give readers of the financial statements more useful information. Accordingly, the prior period comparative figures were reclassified to conform with the current period's presentation.