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 2011

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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
Bank of China
Cathay United Bank
Hang Seng Bank Limited
Industrial and Commercial Bank of China
Industrial Bank of Taiwan
Mega International Commercial Bank

STOCK CODE

2398

WEBSITE

http://www.goodfriend.hk

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

For the six months ended 30 June 2011, the Group recorded revenue of approximately RMB945.94 million, representing an increase of approximately 62.6% as compared to the corresponding period in 2010. 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 RMB769.84 million, representing an increase of 62.3% as compared to the corresponding period in last year. Revenue of CNC machine tools accounted for approximately 81.4% of the Group's total revenue. On the other hand, sales revenue of the Group's forklift trucks business during the period under review was also increased by 122.8%, as compared to corresponding period in last year, to approximately RMB135.41 million and approximately 14.3% of the Group's total revenue. Moreover, sales revenue of parking garage structures amounted to approximately RMB40.70 million during the period under review, representing a decrease of approximately 13.0% as compared to corresponding period in last year and accounted for approximately 4.3% of the total revenue.

Gross profit and margin

During the period under review, gross profit of the Group amounted to approximately RMB239.05 million. Overall gross profit margin was approximately 25.3%, compared to 26.4% 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 30.0%. Moreover, the gross profit margin of the forklift trucks during the period under review decreased as compared to last year. As a result, the overall gross profit margin for the period under review decreased slightly.

Other income

During the period under review, other income increased by approximately 97.9% to approximately RMB13.45 million. During the period under review, RMB appreciated by about 2.3% against USD/HKD. The exchange gain derived from bank borrowings of the Group (mainly denominated in USD/HKD) was accordingly increased by approximately RMB3 million. Moreover, interest rates of RMB deposits in China had been increasing during the period under review. As a result, interest income of the Group was also increased by approximately RMB1.37 million.

Distribution and selling expenses

Distribution and selling expenses increased by approximately 52.0% to approximately RMB73.77 million for the six months ended 30 June 2011. Such increase was mainly due to the increase in sales revenue of the Group's 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 7.8%, compared to 8.3% for the corresponding period in last year.

Administrative expenses

As compared to the corresponding period in last year, administrative expenses increased by approximately 112.8% to approximately RMB52.06 million for the period under review. Included in the administrative expenses for the period under review were those research and development expenses amounted to approximately RMB28.75 million. (2010 comparative figures: RMB10.27 million). Such increase of the research and development expenses was in line with the increase of the sales revenue of CNC machine tools (the Group's major product) during the period under review. Moreover, the Group also added relevant administrative expenses in relation to the Rambaudi business (acquired in June 2010) in Italy amounting to approximately RMB5.26 million during the period under review.

Despite that, general administrative expenses increased by approximately 27.2%. This was mainly attributable to the increase of the depreciation charges and the staff costs etc. deriving from the Group's operation in the mainland China.

Finance costs

During the period under review, finance costs increased to approximately RMB3.31 million. The increase was primarily due to the increase of average bank borrowings of the Group during the period under review.

Profit attributable to the equity holders of the Company

For the six months ended 30 June 2011, profit attributable to the equity holders of the Company amounted to approximately RMB102.72 million, representing an increase of approximately 46.5% as compared to the same period last year.

Business review

During the first half of 2011, sales volume of CNC machine tools, parking garage structures and forklift trucks amounted to 1,865 units, 2,794 units and 2,299 units respectively (2010 comparative figures : 1,077 units, 3,076 units and 894 units). More than 80% of the Group's revenue was generated from the mainstream product CNC machine tools. CNC machine tools focus mainly in China market, with the major customers of the product being those automobile parts and mechanical manufacturers. During the first half of 2011, notwithstanding the adequately tightening monetary policy implemented by the China Government, the economy of China has maintained a relatively high growth. The gross domestic product (GDP) of the mainland China reached RMB20.4 trillion for the first half of 2011, representing a growth of 9.6% over that for the corresponding period in 2010. The fixed assets investments of China also reached RMB12.5 trillion for the first half of 2011, representing a growth of 25.6% over the corresponding period in 2010. Sales orders for the Group's CNC machine tools business also recorded remarkable growth. For the six months ended 30 June 2011, sales volume and sales revenue of CNC machine tools amounted to 1,865 units and approximately RMB769.84 million respectively, representing encouraging growth when compared to corresponding period in 2010. During the period under review, the Group also recorded revenue of approximately RMB67.15 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 market, sales revenue of the Group's forklift trucks business also recorded significant growth of 122.8% during the period under review. Accordingly the proportion of the domestic sales of the forklift trucks was increased to 61%.

Moreover, for the seven months ended 31 July 2011, the Group received sales orders from customers of 3,156 units in respect of its CNC machine tools business, amounting to approximately RMB1,578.37 million (including tax). This is a testimonial to the good acceptance of the Group's products by the customers. In order to meet the robust demand from the customers, the Group's phase one production base in Jiangdong, Hangzhou (owned by Hangzhou Glory Friend Machinery Technology Co., Ltd) has already commenced production since May 2011. With such solid backup, the Group could therefore further expand its production capacity in respect of its CNC machine tools business.

Prospects

The risk of further volatility in the global economy still remains. In respect of the economy of China, the China Government is trying to strike balance amongst growth, inflation and economic transition. Provided that the inflation in China could be under control in the last quarter of 2011, those austerity measures will then be loosened which will further facilitate the capital investment. On the other hand, due to increasing labor shortage in China, manufacturers are prompted to use more automatic equipment such as CNC machines, which will promote continuous growth of the Group's CNC machine tools business. China is the largest machine tools consuming country. The Group will continue to expand its production capacity and enhance its production efficiency, as well as strengthen the research and development capabilities of its CNC machine tools products, in order to meet the robust demand from the domestic market and provide high quality CNC machine tools to the customers.

Looking forward, the Group will continue to participate actively in machine tools fairs in China, and enhance the promotion of the Group's CNC machine tools products so as to solidify the Group's market share in China. On the other hand, the management will continue to looking for appropriate investing and acquisition activities so as to increase the competitive edge of our Group. The Group is committed to becoming an international CNC machine tools manufacturer. The management believes that with its extensive sales network, advanced technology and manufacturing facilities as well as brand effect, the Group is capable of meeting customers' different needs. The management therefore has optimistic outlook for the future growth of the Group and will strive to bringing favorable returns to the shareholders of the Company.

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 2011, the Group's cash and cash equivalents amounted to approximately RMB121.42 million (at 31 December 2010: RMB161.05 million). As at 30 June 2011, the Group had current assets of approximately RMB341.46 million (at 31 December 2010: RMB318.50 million) and short-term bank borrowings of approximately RMB252.02 million (at 31 December 2010: RMB169.18 million). The current ratio (total current assets to total current liabilities) of the Group as at 30 June 2011 was approximately 1.4 (at 31 December 2010: 1.5). The gearing ratio as at 30 June 2011 (total interest bearing liabilities to total assets) was approximately 15.3% (at 31 December 2010: 13.4%), indicated that the Group's overall financial position remained strong.

Capital structure

The share capital of the Company as at 30 June 2011 was HK$4,032,000 divided into 403,200,000 shares of HK$0.01 each (at 31 December 2010: HK$4,032,000 divided into 403,200,000 shares of HK$0.01 each).

Staff and remuneration policies

As at 30 June 2011, the Group employed a total of approximately 1,970 full time employees (31 December 2010: 1,600) 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 RMB13.66 million (at 31 December 2010: RMB27.10 million) which were contracted but not provided in the financial statements. The Group also had commitments of approximately RMB8.38 million (at 31 December 2010: RMB10.07 million) in respect of capital contribution to a joint venture company. The Group had no material contingent liabilities as at 30 June 2011 (at 31 December 2010: Nil).

Charges on the group's assets

As at 30 June 2011, the Group had restricted bank deposits with an amount of approximately RMB68.51 million (at 31 December 2010: RMB29.16 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 approximately RMB39.07 million (31 December 2010: RMB39.76 million) as at 30 June 2011 in order to secure banking facilities granted to the Group.

DISCLOSURE OF INTERESTS

Directors' interest in shares

As at 30 June 2011, 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	24,490,347 shares	15.56%
Mr. Chu Chih-Yaung *(Note 1)*	Taiwan FF	Spouse interest	4,528,925 shares	2.88%
Mr. Chen Hsiang-Jung	Taiwan FF	Beneficial owner	4,572,841 shares	2.90%
Mr. Chu Chih-Yaung	友迦工業股份有限公司 (Fairskq (Taiwan) Co., Ltd.) *(Note 3)*	Beneficial owner	21,988 shares	0.22%
Mr. Chu Chih-Yaung *(Note 2)*	友迦工業股份有限公司 (Fairskq (Taiwan) Co., Ltd.) *(Note 3)*	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 3)*	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 4)*	佑泰興實業股份有限公司 (Yu Thai Xin Ent. Co., Ltd.) *(Note 3)*	Spouse interest	1,000 shares	0.01%
Mr. Chu Chih-Yaung *(Note 5)*	友嘉國際股份有限公司 (Decaview Asia Corporation) *(Note 3)*	Spouse interest	14,700 shares	0.59%
Mr. Chen Hsiang-Jung	友嘉國際股份有限公司 (Decaview Asia Corporation) *(Note 3)*	Beneficial owner	2,940 shares	0.12%
Mr. Chu Chih-Yaung	Fair Fine (Hongzhou) Industrial Co., Ltd. *(Note 3)*	Beneficial owner	750 shares	0.03%
Mr. Chen Hsiang-Jung	Fair Fine (Hongzhou) Industrial Co., Ltd. *(Note 3)*	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 2.88% 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. 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.

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

4. 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.

5. 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 2011, 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 2011, 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 2010 annual report of the Company.

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

Substantial shareholders

As at 30 June 2011, 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	232,000,000 shares *(Note 1)*	57.54%
Taiwan FF	Interest of controlled corporation	232,000,000 shares *(Note 1)*	57.54%
Morgan Stanley	Interest of controlled corporation	20,600,000 shares *(Note 2)*	5.11%

Notes: 1. Hong Kong GF is owned as to approximately 99.99% by Taiwan FF. Accordingly, Taiwan FF was deemed to be interested in the long position of 232,000,000 shares of the Company held by Hong Kong GF under the SFO.

2. Morgan Stanley was deemed to be interested in long position of 20,600,000 shares of the Company held by a number of its wholly-owned and non wholly-owned subsidiaries 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
Morgan Stanley	Interest of controlled corporation	600,000 shares *(Note)*	0.15%

Notes: Morgan Stanley was deemed to be interested in short position of 600,000 shares of the Company held by a number of its wholly-owned and non wholly-owned subsidiaries 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 2011.

OTHER INFORMATION

Interim dividend

The Board declared an interim dividend of RMB0.12 (equivalent to approximately HK$0.146 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 2011, in aggregate amounting to approximately RMB48.38 million (equivalent to approximately HK$58.87 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 2011.

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 2011, 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 20 May 2011 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 2011. 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 2011 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, 18 August 2011

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 16 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 2011 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, 18 August 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
	Note	**2011**	2010
		RMB'000	*RMB'000*
Revenue	6	**945,943**	581,817
Cost of sales and construction contract costs		**(706,893)**	(428,302)
Gross profit		**239,050**	153,515
Other income	7	**13,453**	6,798
Distribution and selling expenses		**(73,768)**	(48,532)
Administrative expenses		**(52,058)**	(24,460)
Other expenses		**(1,480)**	(1,980)
Operating profit	6, 8	**125,197**	85,341
Finance costs		**(3,309)**	(1,504)
Profit before taxation		**121,888**	83,837
Income tax expense	9	**(19,172)**	(13,716)
Profit attributable to equity holders of the Company		**102,716**	70,121
Other comprehensive income		**–**	–
Total comprehensive income attributable to equity holders of the Company		**102,716**	70,121
Earnings per share for profit attributable to the equity holders of the Company – basic and diluted	10	**0.25**	0.19
Dividends	11	**48,384**	60,480

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**261,507**	228,404
Investment properties	13	**1,493**	2,042
Intangible assets	14	**17,304**	16,623
Investment in joint controlled entities	15	**12,679**	8,192
Deferred tax assets		**5,180**	5,545
Deposits for purchases of plant and equipment		**15,282**	20,146
Land use rights	16	**40,839**	41,310
Total non-current assets		**354,284**	322,262
Current assets			
Inventories		**474,866**	341,829
Debtors, deposits and prepayments	17	**600,062**	428,298
Amounts due from customers for contract work		**26,322**	22,943
Amount due from ultimate holding company	22	**1,897**	139
Amounts due from a fellow subsidiary and an associate of ultimate holding company		**445**	3,436
Restricted bank deposits		**68,507**	29,158
Cash and cash equivalents		**121,422**	161,045
Total current assets		**1,293,521**	986,848
Total assets		**1,647,805**	1,309,110
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	18	**4,022**	4,022
Reserves		**393,894**	393,894
Retained earnings		**282,843**	220,447
Total equity		**680,759**	618,363

	Note	**Unaudited 30 June 2011 *RMB'000***	Audited 31 December 2010 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings and loans	19	**–**	6,614
Deferred tax liabilities		**14,988**	15,788
Total non-current liabilities		**14,988**	22,402
Current liabilities			
Creditors, other payables and accrued charges	20	**641,843**	454,057
Amounts due to customers for contract work		**17,701**	15,674
Amount due to immediate holding company		**15,653**	2,213
Amount due to a joint venture company		**–**	7,335
Tax payable		**15,238**	11,783
Warranty provision		**9,606**	8,099
Borrowings and loans	19	**252,017**	169,184
Total current liabilities		**952,058**	668,345
Total liabilities		**967,046**	690,747
Total equity and liabilities		**1,647,805**	1,309,110
Net current assets		**341,463**	318,503
Total assets less current liabilities		**695,747**	640,765

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Unaudited					
		Share capital *RMB'000*	Share premium *RMB'000*	Capital reserves *RMB'000*	Other reserves *RMB'000*	Retained earnings *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 Depository Receipts ("TDRs")	18	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

	Unaudited					
	Share capital ***RMB'000***	**Share premium** ***RMB'000***	**Capital reserves** ***RMB'000***	**Other reserves** ***RMB'000***	**Retained earnings** ***RMB'000***	**Total equity** ***RMB'000***
Balance at 1 January 2011	**4,022**	**271,792**	**77,338**	**44,764**	**220,447**	**618,363**
Total comprehensive income for the period ended 30 June 2011	**–**	**–**	**–**	**–**	**102,716**	**102,716**
Dividends relating to 2010 paid in May 2011	**–**	**–**	**–**	**–**	**(40,320)**	**(40,320)**
Balance at 30 June 2011	**4,022**	**271,792**	**77,338**	**44,764**	**282,843**	**680,759**

The notes on page 21 to 40 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Cash flows from/(used in) operating activities		
Continuing operations	**28,210**	6,492
– income tax paid	**(16,152)**	(11,085)
Net cash generated from/(used in) operating activities	**12,058**	(4,593)
Cash flows from investing activities		
– investment in a joint venture company	**(4,487)**	(4,301)
– acquisition of property, plant and equipment and intangible assets	**(46,079)**	(13,264)
– deposit repayment/(paid) for purchases of property, plant and equipments	**4,864**	(38,919)
– proceeds from disposal of property, plant and equipment	**780**	1,376
– (increase)/decrease in restricted bank deposit	**(39,349)**	1,034
Net cash used in investing activities	**(84,271)**	(54,074)
Cash flows from financing activities		
– proceeds from issuance of TDRs	**–**	205,819
– proceeds from new borrowings	**145,581**	91,158
– repayments of borrowings	**(69,362)**	(94,297)
– dividends paid to equity holders	**(40,320)**	(48,384)
– interest paid	**(3,309)**	(1,504)
Net cash generated from financing activities	**32,590**	152,792
Net (decrease)/increase in cash and cash equivalents	**(39,623)**	94,125
Cash and cash equivalents at the beginning of the period	**161,045**	68,137
Cash and cash equivalents at end of the period	**121,422**	162,262

The notes on page 21 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 KY1-1111, Cayman Islands.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") since 11 January 2006. The Company's 67,200,000 units of Taiwan depositary receipts ("TDRs"), representing 67,200,000 newly issued shares of the Company, were issued and listed on the Taiwan Stock Exchange Corporation ("Taiwan Stock Exchange") on 18 March 2010.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 18 August 2011.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2011 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 2010, 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 2010, 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.

(a) New and amended standards adopted by the Group

The following new standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2011.

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. It also clarifies and simplifies the definition of a related party.

- Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

3 ACCOUNTING POLICY (Continued)

(b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group

- HKAS 32 — Classification of rights issues
- HK(IFRIC) - Int-14 — Prepayments of a minimum funding requirement
- HK(IFRIC) - Int-19 — Extinguishing financial liabilities with equity instruments
- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by both IASB and the HKICPA, except for amendment to HKAS 34 'Interim financial reporting' as disclosed in note 3(a) and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

- HKFRS 9 — Financial instruments
- HKAS 12 (Amendment) — Deferred tax
- HKFRS 7 (Amendment) — Disclosures – Transfers of financial assets

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

There have been no changes in the risk management department since year end or in any risk management policies.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

As at 30 June 2011, the Group had no financial instrument which had been stated at fair value.

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

6 SEGMENT INFORMATION

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

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

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

6 SEGMENT INFORMATION (Continued)

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.

Six months ended 30 June 2011

	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)	769,838	40,699	135,406	–	945,943
Cost of Sales	(542,686)	(34,563)	(129,644)	–	(706,893)
Segment profit	227,152	6,136	5,762	–	239,050
Other income				13,453	13,453
Distribution and selling expenses				(73,768)	(73,768)
Administrative expenses				(52,058)	(52,058)
Other expenses				(1,480)	(1,480)
Operating profit				(113,853)	125,197
Finance costs				(3,309)	(3,309)
Profit before taxation				(117,162)	121,888
Income tax expense				(19,172)	(19,172)
Profit for the period					102,716

6 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

7 OTHER INCOME

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net exchange gain	**6,525**	–
Sales of scrap materials	**1,055**	2,826
Government subsidies	**820**	1,696
Repair income	**2,515**	1,122
Rental income from investment properties	**336**	291
Gain on disposal of property, plant and equipment	**11**	189
Interest income	**1,784**	418
Others	**407**	256
	13,453	6,798

8. OPERATING PROFIT

Operating profit is stated after charging of the following:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reversal of allowance for bad and doubtful debts	**(2,917)**	(2,818)
Amortisation of intangible assets	**1,550**	615
Amortisation of land use rights	**471**	471
Depreciation of property, plant and equipment	**10,322**	8,494
Depreciation of investment properties	**50**	66
Write down of/(Reversal of provision against) inventories	**648**	(935)
Research and development expenses	**28,746**	10,273
Exchange (gain)/loss	**(6,525)**	420
Loss on disposal of property, plant and equipment	**174**	869

9 INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
PRC enterprise income tax	**19,607**	13,323
Deferred tax	**(435)**	393
	19,172	13,716

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

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% (2010: 15%).

Other Group companies did not have any assessable profits or have unused tax losses available for both periods.

10 EARNINGS PER SHARE

	Six months ended 30 June *(RMB per share)*	
	2011 **(Unaudited)**	2010 (Unaudited)
Earnings per share for profit for the period attributable to the equity holders of the Company – basic	**0.25**	0.19

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB102,716,000 (six months period ended 30 June 2010: RMB70,121,000) and 403,200,000 (2010: 374,983,000) ordinary shares.

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

11 DIVIDENDS

	Six months ended 30 June	
	2011 ***RMB'000*** **(Unaudited)**	2010 *RMB'000* (Unaudited)
Interim dividend of RMB0.12 (2010: RMB0.15) per share	**48,384**	60,480

At a meeting of the Board held on 18 August 2011, the directors declared an interim dividend of RMB0.12 (2010: RMB0.15) per share for the six months ended 30 June 2011. This interim dividend was not recognized as dividend payable in the unaudited condensed consolidated financial information for the six months ended 30 June 2011.

12 PROPERTY, PLANT AND EQUIPMENT

	RMB'000 (Unaudited)
Six months ended 30 June 2010	
Opening net book amount as at 1 January 2010	183,615
Additions	15,184
Disposals	(2,055)
Transfer to investment properties	6,662
Depreciation and amortisation	(8,494)
Closing net book amount as at 30 June 2010	194,912
Six months ended 30 June 2011	
Opening net book amount as at 1 January 2011	228,404
Additions	43,880
Disposals	(954)
Transfer from investment properties *(note a)*	499
Depreciation and amortisation	(10,322)
Closing net book amount as at 30 June 2011	261,507

Note a: During the six months period ended 30 June 2011, the Group terminated certain lease agreements of certain portion of its investment property and these properties were maintained for own use. Accordingly, the carrying amount of the relevant portion of the investment properties as at the date of change of usage was transferred to fixed assets.

13 INVESTMENT PROPERTIES

	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Opening net book amount as at 1 January	**2,042**	8,837
Transfer to property, plant and equipment *(Note 12 (a))*	**(499)**	(6,662)
Depreciation	**(50)**	(66)
Closing net book amount as at 30 June	**1,493**	2,109

14 INTANGIBLE ASSETS

	RMB'000
	(Unaudited)
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
Six months ended 30 June 2011	
Opening net book amount as at 1 January 2011	16,623
Additions	2,231
Amortisation	(1,550)
Closing net book amount as at 30 June 2011	17,304

15 INVESTMENT IN JOINT CONTROLLED ENTITIES

In January and July 2010 and March 2011, the Company contributed approximately USD630,000 (equivalent to RMB4,301,000), USD525,000 (equivalent to RMB3,560,000) and USD683,000 (equivalent to RMB4,487,000) paid-in capital, respectively, into a joint venture company in China named as Anest Iwata Feeler Corporation ("AIF"). AIF was established by three parties, including the Company, Anest Iwata Corporation ("AIC"), a third party company, and a joint venture company of the Company's ultimate holding company known as Anest Iwata Taiwan ("AIT") in 2009. Equity interests held by the Company, AIC and AIT in AIF as of 30 June 2011 were 35%, 35% and 30% respectively. The Company uses equity method to account for its interests in AIF.

16 LAND USE RIGHTS

The amounts represent prepaid 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:

	2011 ***RMB'000*** **(Unaudited)**	2010 *RMB'000* (Unaudited)
Opening net book amount as at 1 January	**41,310**	42,253
Amortisation	**(471)**	(471)
Closing net book amount as at 30 June	**40,839**	41,782

17 DEBTORS, DEPOSITS AND PREPAYMENTS

	As at	
	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade debtors	**515,888**	381,143
Less: Allowance for doubtful debts	**(26,739)**	(29,656)
	489,149	351,487
Deposits to suppliers	**69,636**	42,091
Other debtors	**41,277**	34,720
Total debtors, deposits and prepayments	**600,062**	428,298

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 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current - 30 days	**418,878**	293,558
31 - 60 days	**19,483**	10,508
61 - 90 days	**15,151**	11,510
91 - 180 days	**18,098**	17,326
Over 180 days	**44,278**	48,241
	515,888	381,143

18 SHARE CAPITAL

	Number of shares *'000*	Nominal value *RMB'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 30 June 2011 and 31 December 2010	1,000,000	10,211
Issued and fully paid:		
Opening balance 1 January 2010	336,000	3,431
Issuance of TDRs	67,200	591
At 30 June 2010	403,200	4,022
At 1 January 2011 and 30 June 2011	403,200	4,022

On 18 March 2010, the Company issued 67.2 million units of 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.

19 BORROWINGS AND LOANS

	As at	
	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current	**–**	6,614
Current	**252,017**	169,184

Movements of borrowings are analysed as follows:

	RMB'000 (Unaudited)
Six months ended 30 June 2011	
Opening amount as at 1 January 2011	175,798
New borrowings drawn down	145,581
Repayments of borrowings	(69,362)
Closing amount as at 30 June 2011	252,017

The borrowings bear interest at market rates ranging from 0.46% to 6.44% per annum (30 June 2010: 1.61% to 5.31% per annum).

Subsidiaries of the Company had pledged their land use rights and buildings with an aggregate carrying amount RMB13,692,000 and RMB25,380,000, respectively (31 December 2010: RMB13,847,000 and RMB25,911,000) as at 30 June 2011 in order to secure the general banking facilities granted by certain banks to it.

20 CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES

	As at	
	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade creditors	**291,142**	167,285
Advance deposits from customers	**276,325**	218,106
Other payables	**36,378**	36,103
Accrued charges	**37,998**	32,563
	641,843	454,057

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 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current - 30 days	**184,132**	128,544
31 - 60 days	**86,560**	25,296
61 - 90 days	**13,812**	6,418
91 - 180 days	**4,896**	4,373
Over 180 days	**1,742**	2,654
	291,142	167,285

21 CAPITAL COMMITMENTS

	As at	
	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in respect of		
– acquisition of property, plant and equipment	**13,663**	27,097
– capital injection into jointly controlled entities	**8,377**	10,067
	22,040	37,164

22 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 **2011** ***RMB'000*** **(Unaudited)**	 2010 *RMB'000* (Unaudited)
Fair Friend Enterprise Company Limited ("Fair Friend")	Ultimate holding company	Sales of goods Purchases of goods	**815** **16,166**	184 24
Good Friend (H.K.) Corporation Limited ("Hong Kong GF")	Immediate holding company	Purchases of goods	**90,395**	70,115
Hangzhou Feeler Takamatsu Machinery Co., Ltd. ("Feeler Takamatsu")	Associate of ultimate holding company	Sales of goods Purchase of goods	**40** **–**	118 5
Hangzhou Fair Fine Electric & Machinery Co., Ltd. ("Fair Fine")	Fellow subsidiary	Sales of goods	**105**	1
Hangzhou Anest Iwata Feeler Corporation ("Anest Iwata Feeler")	Jointly controlled entity	Sales of goods Purchases of goods	**6,274** **281**	– –
Hangzhou Best Friend Technology Co., Ltd. ("Best Friend")	Associate of ultimate holding company	Sales of goods	**133**	–
Sanco Machine & Tools Corporation	Associate of ultimate holding company	Purchases of goods	**690**	–
Fairskq (Taiwan) Co., Ltd	Associate of ultimate holding company	Sales of goods	**169**	–

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

22 RELATED-PARTY TRANSACTIONS (Continued)

(a) Transaction and balances (Continued)

Balances

Name of company	Relationship	Nature of balances	30 June 2011 *RMB'000* (Unaudited)	31 December 2010 *RMB'000* (Audited)	Maximum amount outstanding during 2011 *RMB'000* (Unaudited)
Fair Friend	Ultimate holding company	Trade receivable *(note (a))*	**1,897**	139	2,409
Fair Fine	Fellow subsidiary	Trade receivable *(note (a))*	**5**	22	5
		Other receivable *(note (a))*	**80**	–	80
Hong Kong GF	Immediate holding company	Trade payable *(note (b))*	**(15,653)**	(2,213)	(18,007)
Anest Iwata Feeler Corporation	Jointly controlled entity	Trade receivable *(note (a))*	**4**	–	–
		Trade payable *(note (b))*	**–**	(7,335)	(344)
Feeler Takamatsu	Associate of ultimate holding company	Trade receivable *(note (a))*	**138**	138	161
Best Friend	Associate of ultimate holding company	Prepayments for purchase and trade receivable *(note (a))*	**218**	3,276	7,564

(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. As of 30 June 2011 and 31 December 2010, the aging of above balances were mostly within 6 months.

22 RELATED-PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries and other allowances	**1,586**	1,249

23 HOLDING COMPANIES

The directors regard Good Friend (H.K.) Corporation Limited, a company incorporated in Hong Kong, and Fair Friend Enterprise Company Limited, a company incorporated in Taiwan, as being the immediate holding company and the ultimate holding company respectively.

24 EVENT OCCURRING AFTER THE BALANCE SHEET DATE

In July 2011, the Company contributed US$499,500 (equivalent to RMB3,281,000) as registered capital into Hangzhou Feeler Mectron Machinery Co., Ltd. ("Feeler Mectron"), a PRC corporation. Feeler Mectron was established by the Company, Mectron Inc. ("Mectron") and Takamatsu Machinery Co., Ltd ("Takamatsu"), the latter two being independent parties to the Company. Interests held by the Company, Mectron and Takamatsu are 45%, 45% and 10% respectively.