

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 2012



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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

Tricor Investor Services Limited
 26th Floor, Tesbury Centre
 28 Queen's Road East, Wanchai
 Hong Kong

PRINCIPAL BANKERS

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

STOCK CODE

2398

WEBSITE

<http://www.goodfriend.hk>

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the first half of 2012, sales volume of CNC machine tools, parking garage structures and forklift trucks amounted to 1,232 units, 4,275 units and 1,661 units respectively (2011 comparative figures: 1,865 units, 2,794 units and 2,299 units). Approximately 80% of the Group's revenue was generated from the mainstream product CNC machine tools. CNC machine tools focus mainly on China market, with the major customers of the product being those automobile parts and mechanical manufacturers. During the first half of 2012, eurozone sovereign debt crisis worsened, China's economic performance was also affected by external factors with its growth eased. In early 2012, the central government of China has adjusted downward its annual economic growth target to 7.5%. Under this economic environment, sales orders for the Group's CNC machine tools business were also affected. For the six months ended 30 June 2012, sales volume and sales revenue of CNC machine tools amounted to 1,232 units and approximately RMB614.22 million respectively, both representing a decrease when compared to corresponding period in 2011. Moreover, the gross profit margin of CNC machine tools business decreased to approximately 22.8% during the period under review. This was mainly attributable to the increase in raw material prices and labour costs in Mainland China.

Despite being affected by the slowdown of China's economic growth, the Group's high-end CNC machine tools products still recorded satisfactory sales revenue during the period under review. Sales revenue of double column machining centre (manufactured at factory in Hangzhou) and milling centre (manufactured at Rambaudi factory in Italy) amounted to approximately RMB114.6 million for the period under review, accounted for approximately 18.7% of sales revenue of the Group's CNC machine tools, whilst selling price of the Rambaudi milling centre is approximately 10 times or more the average selling price of the Group's CNC machine tools products. These high-end products could optimise the product portfolio of the Group, and strengthen its core competitiveness.

Financial Review

Revenue

For the six months ended 30 June 2012, the Group recorded revenue of approximately RMB779.41 million, representing a decrease of approximately 17.6% as compared to the corresponding period in 2011. 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 RMB614.22 million, representing a decrease of 20.2% as compared to the corresponding period in last year. Revenue of CNC machine tools accounted for approximately 78.8% 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 decreased by 26.8%, as compared to corresponding period in last year, to approximately RMB99.08 million and approximately 12.7% of the Group's total revenue. Moreover, sales revenue of parking garage structures amounted to approximately RMB66.11 million during the period under review, representing an increase of approximately 62.4% as compared to corresponding period in last year and accounted for approximately 8.5% of the total revenue.

Gross profit and margin

During the period under review, gross profit of the Group amounted to approximately RMB157.57 million. Overall gross profit margin was approximately 20.2%, compared to 25.3% for the corresponding period in last year. The gross profit margin of CNC machine tools (the Group's major product) during the period under review decreased as compared to last year. As a result, the overall gross profit margin for the period under review decreased.

Distribution and selling expenses

Distribution and selling expenses increased by approximately 3.0% to approximately RMB75.99 million for the six months ended 30 June 2012. The increase was mainly due to the increase in sales of milling centre manufactured at Rambaudi factory in Italy during the period under review. During the period under review, distribution and selling expenses as a percentage of the Group's revenue was increased to approximately 9.7%, compared to 7.8% for the corresponding period in last year.

Administrative expenses

As compared to the corresponding period in last year, administrative expenses decreased by approximately 3.3% to approximately RMB50.32 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 RMB23.02 million. (2011 comparative figures: RMB28.75 million). Such decrease of the research and development expenses was in line with the decrease of the sales revenue of CNC machine tools (the Group's major product) during the period under review. Moreover, the Group had no significant reversal of allowance for bad and doubtful debts (2011 comparative figures: RMB2.92 million) during the period under review.

Despite that, general administrative expenses increased by approximately 3.8%. This was mainly attributable to the increase of the depreciation charges.

Finance costs

During the period under review, finance costs increased to approximately RMB6.61 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 2012, profit attributable to the equity holders of the Company amounted to approximately RMB26.76 million, representing a decrease of approximately 73.9% as compared to the same period last year.

Strategic acquisition

In January 2012, the Group has (together with the parent company Fair Friend Enterprise Co., Ltd.) entered into agreement for the acquisition of the share capital of Jobs Automazione S.p.A. ("JOBS"), an Italian entity. This acquisition has been completed in January 2012, with the Group holding 15% share capital of JOBS.

JOBS is a well-known Italian machine tools manufacturer and has over 30 years history. The entity was principally engaged in the design and production of 5-axis milling machines, using advanced motor technology, for aerospace, energy and mechanical engineering applications. JOBS is a leader in the machining centre in Europe. This acquisition provides an opportunity for the Group to enhance its product portfolio in particular for the application sectors of aerospace, which is beneficial to the Group's overall business development.

Prospects

Due to the adverse macroeconomic factors including the uncertainty of Eurozone's sovereign debt crisis and slowdown of the economic growth of China, the Group will continue to face challenging operating environment in 2012. Nevertheless, China is the largest machine tools consuming country. The formulation of the 12th Five Year Plan (2011-2015) by the central government of China would stimulate the demand of machine tools from the industries of high-speed railway, aerospace, motor vehicle and energy especially demand of those hi-tech CNC machine tools. Moreover, due to increasing labor shortage in China, manufacturers are prompted to use more automatic equipment such as CNC machines in order to raising production efficiency. This in turn will benefit the Group's CNC machine tools business. On the other hand, the Group will continue to strengthen the R&D capabilities and optimise the product portfolio of its CNC machine tools products, in order to provide high quality CNC machine tools to the customers as well as maintain the Group's competitive edge in the China market.

Looking ahead, the management is optimistic on the long-term development prospects of the Group. The Group will continue to strengthen its business foundation in a prudent manner under tough market environment. The management believes that with its extensive sales network and comprehensive after-sales service, solid business foundation as well as outstanding product quality, the Group is capable of meeting customers' different needs and continue to strengthen its market position. The management will also strive to strengthen the cost control and production efficiency for achieving better results, in order to bring 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 2012, the Group's cash and cash equivalents amounted to approximately RMB158.86 million (at 31 December 2011: RMB140.48 million). As at 30 June 2012, the Group had net current assets of approximately RMB344.76 million (at 31 December 2011: RMB332.24 million) and short-term bank borrowings of approximately RMB419.51 million (at 31 December 2011: RMB364.16 million). The current ratio (total current assets to total current liabilities) of the Group as at 30 June 2012 was approximately 1.4 (at 31 December 2011: 1.3). The gearing ratio as at 30 June 2012 (total interest bearing liabilities to total assets) was approximately 24.7% (at 31 December 2011: 21.0%), indicated that the Group's overall financial position remained strong.

Capital structure

The share capital of the Company as at 30 June 2012 was HK\$4,032,000 divided into 403,200,000 shares of HK\$0.01 each (at 31 December 2011: HK\$4,032,000 divided into 403,200,000 shares of HK\$0.01 each).

Staff and remuneration policies

As at 30 June 2012, the Group employed a total of approximately 1,680 full time employees (31 December 2011: 1,970) 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 RMB6.52 million (at 31 December 2011: RMB6.50 million) which were contracted but not provided in the financial statements. The Group had no commitments (at 31 December 2011: Nil) in respect of capital contribution to a joint venture company. The Group had no material contingent liabilities as at 30 June 2012 (at 31 December 2011: Nil).

Charges on the group's assets

As at 30 June 2012, the Group had restricted bank deposits with an amount of approximately RMB21.93 million (at 31 December 2011: RMB35.21 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 RMB37.70 million (31 December 2011: RMB38.39 million) as at 30 June 2012 in order to secure banking facilities granted to the Group.

DISCLOSURE OF INTERESTS

Directors' interest in shares

As at 30 June 2012, 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	24,403,347 shares	15.50%
Mr. Chu Chih-Yaung (Note 1)	Taiwan FF	Spouse interest	4,441,925 shares	2.82%
Mr. Chen Hsiang-Jung	Taiwan FF	Beneficial owner	4,480,841 shares	2.85%
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"), held 2.82% of the issued share capital of Taiwan FF. Mr. Chu was deemed to be interested in all the shares held by Ms. Wang in Taiwan FF under the SFO.
2. Ms. Wang held 0.22% of the issued share capital of Fairseq (Taiwan) Co., Ltd.. Mr. Chu was deemed to be interested in all the shares held by Ms. Wang in Fairseq (Taiwan) Co., Ltd. under the SFO.
3. These companies were non-wholly-owned subsidiaries of Taiwan FF and are therefore associated corporations of the Company for the purpose of the SFO.

4. Ms. Wang held 0.01% of the issued share capital of Yu Thai Xin Ent. Co., Ltd.. Mr. Chu was 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 held 0.59% of the issued share capital of Decaview Asia Corporation. Mr. Chu was 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 2012, 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 2012, 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 2011 annual report of the Company.

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

Substantial shareholders

As at 30 June 2012, 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 (<i>Note</i>)	57.54%
Taiwan FF	Interest of controlled corporation	232,000,000 shares (<i>Note</i>)	57.54%

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

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2012.

OTHER INFORMATION

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of directors' information of the Company since the date of the 2011 Annual Report is as follows:

Mr. Koo Fook Sun, Louis resigned as an independent non-executive director of Weichai Power Co., Ltd., which is listed on the Main Board of the Stock Exchange in June 2012.

Mr. Chiang Chun-Te, resigned as an independent director of Feng Sheng Technology Co., Ltd. (listed on the Taiwan Stock Exchange Corporation) in March 2012.

Interim dividend

The Board declared an interim dividend of RMB0.05 (equivalent to approximately HK\$0.061 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 2012 (2011: RMB0.12), in aggregate amounting to approximately RMB20.16 million (equivalent to approximately HK\$24.60 million) (2011: RMB48.384 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 2012.

Model code for securities transactions by directors

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

Code on corporate governance practices

The Company has complied with the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) ("CG Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2012 except the following.

The Chairman of the Board, Mr. Chu Chih-Yaung and two independent non-executive directors were unable to attend the annual general meeting of the Company held on 25 May 2012 due to business trip and other commitment respectively. Mr. Chen Hsiang-Jung as executive Director of the Company took the chair of the annual general meeting pursuant to the Articles of the Association of the Company. Code provision of A.6.7 of the CG code requires independent non-executive directors and other non-executive directors to attend general meetings and code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting.

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 2012. 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 2012 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, 28 August 2012

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF GOOD FRIEND INTERNATIONAL HOLDINGS INC.

(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 16 to 38, which comprises the interim condensed consolidated balance sheet of Good Friend International Holdings Inc. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2012 and the related interim 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 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, 28 August 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited	
		Six months ended 30 June	
		2012 RMB'000	2011 RMB'000
Revenue	6	779,413	945,943
Cost of revenue		(621,847)	(706,893)
Gross profit		157,566	239,050
Other income	7	12,799	13,453
Share of loss of jointly controlled entities		(519)	–
Share of loss of an associate		(1,232)	–
Distribution and selling expenses		(75,985)	(73,768)
Administrative expenses		(50,318)	(52,058)
Other expenses		(1,873)	(1,480)
Operating profit	6, 8	40,438	125,197
Finance costs		(6,607)	(3,309)
Profit before taxation		33,831	121,888
Income tax expense	9	(7,069)	(19,172)
Profit attributable to equity holders of the Company		26,762	102,716
Other comprehensive income		(1,119)	–
Total comprehensive income attributable to equity holders of the Company		25,643	102,716
Earnings per share for profit attributable to the equity holders of the Company			
– basic and diluted	10	0.07	0.25
Dividends	11	20,160	48,384

The notes on page 21 to 38 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	290,393	288,677
Investment properties	13	1,253	1,442
Intangible assets	14	14,534	14,779
Investments in jointly controlled entities	15	19,433	19,952
Investment in an associate	16	12,142	–
Deferred tax assets		4,246	4,534
Deposits for purchases of plant and equipment		2,076	2,178
Land use rights	17	39,896	40,367
Total non-current assets		383,973	371,929
Current assets			
Inventories		480,025	532,791
Debtors, deposits and prepayments	18	608,775	622,577
Amounts due from customers for contract work		35,219	29,135
Amount due from ultimate holding company	23	3,891	–
Amounts due from a fellow subsidiary	23	–	48
Amount due from jointly controlled entities	23	6,942	–
Amount due from an associate of ultimate holding company	23	–	241
Restricted bank deposits		21,933	35,205
Cash and cash equivalents		158,861	140,482
Total current assets		1,315,646	1,360,479
Total assets		1,699,619	1,732,408
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	19	4,022	4,022
Reserves		303,090	304,209
Retained earnings		400,899	374,137
Total equity		708,011	682,368

	<i>Note</i>	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		<u>20,723</u>	<u>21,800</u>
Total non-current liabilities		<u>20,723</u>	<u>21,800</u>
Current liabilities			
Creditors, other payables and accrued charges	21	494,614	600,101
Amounts due to customers for contract work		30,382	26,364
Amount due to ultimate holding company	23	–	1,542
Amount due to immediate holding company	23	4,155	4,624
Amount due to a jointly controlled entity	23	102	–
Amount due to a fellow subsidiary	23	6,330	11,661
Current income tax liabilities		8,188	11,515
Warranty provision		7,600	8,278
Borrowings	20	<u>419,514</u>	<u>364,155</u>
Total current liabilities		<u>970,885</u>	<u>1,028,240</u>
Total liabilities		<u>991,608</u>	<u>1,050,040</u>
Total equity and liabilities		<u>1,699,619</u>	<u>1,732,408</u>
Net current assets		<u>344,761</u>	<u>332,239</u>
Total assets less current liabilities		<u>728,734</u>	<u>704,168</u>

The notes on page 21 to 38 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserves <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total equity <i>RMB'000</i>
Balance at 1 January 2011	4,022	271,792	77,338	44,764	220,447	618,363
Comprehensive income:						
Profit for the period	-	-	-	-	102,716	102,716
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	<u>4,022</u>	<u>271,792</u>	<u>77,338</u>	<u>44,764</u>	<u>282,843</u>	<u>680,759</u>

	Unaudited					
	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserves <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total equity <i>RMB'000</i>
Balance at 1 January 2012	4,022	183,088	77,338	43,783	374,137	682,368
Comprehensive income:						
Profit for the period	-	-	-	-	26,762	26,762
Other comprehensive income:						
Currency translation difference	-	-	-	(1,119)	-	(1,119)
Total comprehensive income for the period ended 30 June 2012	-	-	-	(1,119)	26,762	25,643
Balance at 30 June 2012	<u>4,022</u>	<u>183,088</u>	<u>77,338</u>	<u>42,664</u>	<u>400,899</u>	<u>708,011</u>

The notes on page 21 to 38 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	Unaudited	
		Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
Cash flows (used in)/from operating activities			
Cash (used in)/generated from operations		(4,589)	28,210
– income tax paid		(11,184)	(16,152)
Net cash (used in) /generated from operating activities		(15,773)	12,058
Cash flows from investing activities			
– acquisition of an associate	16	(13,374)	–
– investment in a jointly controlled entity		–	(4,487)
– acquisition of property, plant and equipment and intangible assets		(14,925)	(41,215)
– proceeds from disposal of property, plant and equipment		427	780
– decrease/(increase) in restricted bank deposit		13,272	(39,349)
Net cash used in investing activities		(14,600)	(84,271)
Cash flows from financing activities			
– proceeds from new borrowings		791,609	145,581
– repayments of borrowings		(736,250)	(69,362)
– dividends paid to equity holders		–	(40,320)
– interest paid		(6,607)	(3,309)
Net cash generated from financing activities		48,752	32,590
Net increase/(decrease) in cash and cash equivalents		18,379	(39,623)
Cash and cash equivalents at the beginning of the period		140,482	161,045
Cash and cash equivalents at end of the period		158,861	121,422

The notes on page 21 to 38 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 depository 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 28 August 2012.

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 2012 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 2011, 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 2011, 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.

3 ACCOUNTING POLICY (Continued)

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

- HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Group is yet to assess the amendments to HKAS 9's impact.
- HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 upon its effective date, which is for the accounting period beginning on or after 1 January 2013.
- HKFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 upon its effective date, which is for the accounting period beginning on or after 1 January 2013.
- HKFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 upon its effective date, which is for the accounting period beginning on or after 1 January 2013.
- HKAS 19 (Amendment) 'Employee benefits' eliminate the corridor approach and calculate finance costs on a net funding basis. The Group is yet to assess the amendments to HKAS 19's impact, which will become effective for the accounting period beginning on or after 1 January 2013.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the group.

4 ESTIMATES

The preparation of interim financial statements 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 statements, 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 2011.

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 2011.

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 2012, 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.

6 SEGMENT INFORMATION (Continued)

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.

Six months ended 30 June 2012

	Machine Tools <i>RMB'000</i> (Unaudited)	Parking Garage Structures <i>RMB'000</i> (Unaudited)	Forklift Trucks <i>RMB'000</i> (Unaudited)	Unallocated <i>RMB'000</i> (Unaudited)	Total Group <i>RMB'000</i> (Unaudited)
Revenue (all from external sales)	614,219	66,112	99,082	–	779,413
Cost of Sales	(474,191)	(57,541)	(90,115)	–	(621,847)
Segment profit	<u>140,028</u>	<u>8,571</u>	<u>8,967</u>	–	157,566
Other income				12,799	12,799
Share of loss of jointly controlled entities				(519)	(519)
Share of loss of an associate				(1,232)	(1,232)
Distribution and selling expenses				(75,985)	(75,985)
Administrative expenses				(50,318)	(50,318)
Other expenses				(1,873)	(1,873)
Operating profit				(117,128)	40,438
Finance costs				(6,607)	(6,607)
Profit before taxation				(123,735)	33,831
Income tax expense				(7,069)	(7,069)
Profit for the period					<u>26,762</u>

6 SEGMENT INFORMATION (Continued)

Six months ended 30 June 2011

	Machine Tools <i>RMB'000</i> (Unaudited)	Parking Garage Structures <i>RMB'000</i> (Unaudited)	Forklift Trucks <i>RMB'000</i> (Unaudited)	Unallocated <i>RMB'000</i> (Unaudited)	Total Group <i>RMB'000</i> (Unaudited)
Revenue (all from external sales)	769,838	40,699	135,406	–	945,943
Cost of Sales	<u>(542,686)</u>	<u>(34,563)</u>	<u>(129,644)</u>	<u>–</u>	<u>(706,893)</u>
Segment profit	<u>227,152</u>	<u>6,136</u>	<u>5,762</u>	<u>–</u>	239,050
Other income				13,453	13,453
Distribution and selling expenses				(73,768)	(73,768)
Administrative expenses				(52,058)	(52,058)
Other expenses				<u>(1,480)</u>	<u>(1,480)</u>
Operating profit				(113,853)	125,197
Finance costs				<u>(3,309)</u>	<u>(3,309)</u>
Profit before taxation				(117,162)	121,888
Income tax expense				<u>(19,172)</u>	<u>(19,172)</u>
Profit for the period					<u>102,716</u>

7 OTHER INCOME

	Six months ended 30 June	
	2012 <i>RMB'000</i> (Unaudited)	2011 <i>RMB'000</i> (Unaudited)
Net exchange gain	–	6,525
Sales of scrap materials	3,082	1,055
Government subsidies	2,825	820
Repair income	4,076	2,515
Rental income from investment properties	165	336
Gain on disposal of property, plant and equipment	158	11
Interest income	1,827	1,784
Others	666	407
	<u>12,799</u>	<u>13,453</u>

8 OPERATING PROFIT

Operating profit is stated after charging/(crediting) of the following:

	Six months ended 30 June	
	2012 <i>RMB'000</i> (Unaudited)	2011 <i>RMB'000</i> (Unaudited)
Allowance for bad and doubtful debts, net	68	(2,917)
Amortisation of intangible assets	1,033	1,550
Amortisation of land use rights	471	471
Depreciation of property, plant and equipment	13,192	10,322
Depreciation of investment properties	45	50
Allowance for inventories, net	742	648
Research and development expenses	23,022	28,746
Net exchange loss/(gain)	896	(6,525)
Loss on disposal of property, plant and equipment	57	174
	<u>57</u>	<u>174</u>

9 INCOME TAX EXPENSE

	Six months ended 30 June	
	2012 <i>RMB'000</i> (Unaudited)	2011 <i>RMB'000</i> (Unaudited)
Enterprise income tax	7,857	19,607
Deferred tax	<u>(788)</u>	<u>(435)</u>
	<u>7,069</u>	<u>19,172</u>

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. In addition, no provision for Italian profits had been made for both periods as the Italian operations of the Group did not have any assessable profits.

Enterprise income tax ("EIT") is provided for enterprises in the PRC at a range from 12.5% to 15% (2011: range from 12.5% to 15%). In 2011, Hangzhou Good Friend Precision Machinery Co., Ltd. ("Hangzhou Good Friend") renewed its New and High-Tech Enterprise status, which has been approved by the relevant government authorities, and it is entitled to a reduced tax rate of 15% for a three-year period commencing 2011. Accordingly, the applicable tax rate for Hangzhou Good Friend for the six months ended 30 June 2012 is 15% (2011: 15%).

10 EARNINGS PER SHARE

	Six months ended 30 June <i>(RMB per share)</i>	
	2012 (Unaudited)	2011 (Unaudited)
Earnings per share for profit for the period attributable to the equity holders of the Company – basic	<u>0.07</u>	<u>0.25</u>

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB26,762,000 (six months period ended 30 June 2011: RMB102,716,000) and 403,200,000 (2011: 403,200,000) ordinary shares in issue.

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

11 DIVIDENDS

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 <i>RMB'000</i> (Unaudited)
Interim dividend of RMB0.05 (2011: RMB0.12) per share	<u>20,160</u>	<u>48,384</u>

At a meeting of the board of directors held on 28 August 2012, the directors declared an interim dividend of RMB0.05 (2011: RMB0.12) per share for the six months ended 30 June 2012. This interim dividend was not recognised as dividend payable in the unaudited condensed consolidated financial information for the six months ended 30 June 2012.

12 PROPERTY, PLANT AND EQUIPMENT

	<i>RMB'000</i>
	(Unaudited)
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	499
Depreciation and amortisation	(10,322)
	<u>261,507</u>
Closing net book amount as at 30 June 2011	<u>261,507</u>
Six months ended 30 June 2012	
Opening net book amount as at 1 January 2012	288,677
Additions	15,248
Disposals	(484)
Transfer from investment properties (<i>note a</i>)	144
Depreciation and amortisation	(13,192)
	<u>290,393</u>
Closing net book amount as at 30 June 2012	<u>290,393</u>

Note a: During the six months period ended 30 June 2012, 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

	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Opening net book amount as at 1 January	1,442	2,042
Transfer to property, plant and equipment (<i>Note 12 (a)</i>)	(144)	(499)
Depreciation	(45)	(50)
	<u>1,253</u>	<u>1,493</u>
Closing net book amount as at 30 June	<u>1,253</u>	<u>1,493</u>

14 INTANGIBLE ASSETS

	<i>RMB'000</i>
	(Unaudited)
Six months ended 30 June 2011	
Opening net book amount as at 1 January 2011	16,623
Additions	2,231
Amortisation	(1,550)
	<u>17,304</u>
Closing net book amount as at 30 June 2011	<u><u>17,304</u></u>
Six months ended 30 June 2012	
Opening net book amount as at 1 January 2012	14,779
Additions	788
Amortisation	(1,033)
	<u>14,534</u>
Closing net book amount as at 30 June 2012	<u><u>14,534</u></u>

15 INVESTMENT IN JOINTLY 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 jointly controlled entity in China, namely Anest Iwata Feeler Corporation ("AIF"). AIF was established in 2009 by three parties, including the Company, Anest Iwata Corporation ("AIC") which is a third party company, and a jointly controlled entity of the Company's ultimate holding company known as Anest Iwata Taiwan ("AIT"). Equity interests held by the Company, AIC and AIT in AIF as of 30 June 2012 were 35%, 35% and 30%, respectively. The Company uses equity method to account for its interests in AIF.

16 INVESTMENT IN AN ASSOCIATE

On 16 January 2012, Sky Thrive Hong Kong Enterprise Limited, a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with ETG Machine Tools S.r.l. ("ETGMT"), an independent party, for the acquisition of 15% interests in Jobs Automazione S.p.A ("Jobs"), a company incorporated in Italy, from ETGMT at a consideration of EUR1,651,000 (equivalent to RMB13,374,000). The transaction was completed on 19 January 2012. There is one representation of the Company in the board of directors of Jobs. Accordingly, the Group accounted for such investment as an associate in the financial statements.

	Six months ended 30 June 2012 <i>RMB'000</i> (Unaudited)
Beginning of the period	-
Additions	13,374
Share of post-tax losses of associates	<u>(1,232)</u>
End of the period	<u><u>12,142</u></u>

The Group's share of the results in Jobs and its aggregated assets and liabilities are shown below:

	Six months ended 30 June 2012 <i>RMB'000</i> (Unaudited)
Assets	80,255
Liabilities	72,994
Revenues	27,863
Share of loss	(1,232)
Percentage held	<u><u>15%</u></u>

17 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:

	2012 <i>RMB'000</i> (Unaudited)	2011 <i>RMB'000</i> (Unaudited)
Opening net book amount as at 1 January	40,367	41,310
Amortisation	<u>(471)</u>	<u>(471)</u>
Closing net book amount as at 30 June	<u>39,896</u>	<u>40,839</u>

18 DEBTORS, DEPOSITS AND PREPAYMENTS

	As at 30 June 2012 <i>RMB'000</i> (Unaudited)	31 December 2011 <i>RMB'000</i> (Audited)
Trade debtors and bills receivables	558,010	553,407
<i>Less: provision for impairment of trade receivables</i>	<u>(21,528)</u>	<u>(23,082)</u>
Trade receivables – net	536,482	530,325
Prepayments	28,776	47,368
Others	<u>43,517</u>	<u>44,884</u>
Total debtors, deposits and prepayments	<u>608,775</u>	<u>622,577</u>

18 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 ageing analysis of trade debtors and bills receivable were as follows:

	As at	
	30 June 2012 <i>RMB'000</i> (Unaudited)	31 December 2011 <i>RMB'000</i> (Audited)
Current - 30 days	441,080	451,349
31 - 60 days	16,161	10,388
61 - 90 days	12,877	9,257
91 - 180 days	28,867	25,565
Over 180 days	59,025	56,848
	<u>558,010</u>	<u>553,407</u>

19 SHARE CAPITAL

	Number of shares <i>'000</i>	Nominal value <i>RMB'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 June 2012 and 31 December 2011	<u>1,000,000</u>	<u>10,211</u>
Issued and fully paid:		
At 1 January 2012 and 30 June 2012	<u>403,200</u>	<u>4,022</u>

20 BORROWINGS

	As at	
	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within one year	394,856	364,155
Portion of bank borrowings for repayment after one year which contain a repayment on demand clause	<u>24,658</u>	<u>–</u>
	<u>419,514</u>	<u>364,155</u>

Movements of borrowings are analysed as follows:

	<i>RMB'000</i> (Unaudited)
Six months ended 30 June 2012	
Opening amount as at 1 January 2012	364,155
New borrowings drawn down	791,609
Repayments of borrowings	<u>(736,250)</u>
Closing amount as at 30 June 2012	<u><u>419,514</u></u>

The borrowings bear interest at market rates ranging from 1.70% to 7.87% per annum (30 June 2011: 0.46% to 6.44% per annum).

Subsidiaries of the Company had pledged their land use rights and buildings with an aggregate carrying amount RMB13,382,000 and RMB24,319,000, respectively (31 December 2011: RMB13,537,000 and RMB24,849,000) as at 30 June 2012 in order to secure the general banking facilities granted by certain banks to them.

21 CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES

	As at	
	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade creditors	223,150	302,299
Advance deposits from customers	216,592	227,222
Other payables	21,012	39,356
Accrued charges	33,860	31,224
	494,614	600,101

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

	As at	
	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Current - 30 days	141,357	224,490
31 - 60 days	63,063	57,619
61 - 90 days	11,177	7,752
91 - 180 days	3,921	2,253
Over 180 days	3,632	10,185
	223,150	302,299

22 CAPITAL COMMITMENTS

	As at	
	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Capital expenditure contracted for but not provided in respect of		
– acquisition of property, plant and equipment	6,524	6,502

23 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	
			2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Fair Friend Enterprise Company Limited ("Fair Friend")	Ultimate holding company	Sales of goods	468	815
		Purchases of goods	15,496	16,166
Good Friend (H.K.) Corporation Limited ("Hong Kong GF")	Immediate holding company	Purchases of goods	46,099	90,395
Hangzhou Feeler Takamatsu Machinery Co., Ltd.	Associate of ultimate holding company	Sales of goods	31	40
		Purchases of goods	17	-
Hangzhou Fair Fine Electric & Machinery Co., Ltd. ("Fair Fine")	Fellow subsidiary	Sales of goods	115	105
Hangzhou Anest Iwata Feeler Corporation ("Anest Iwata Feeler")	Jointly controlled entity	Sales of goods	5,934	6,274
		Purchases of goods	87	281
Hangzhou Best Friend Technology Co., Ltd. ("Best Friend")	Associate of ultimate holding company	Sales of goods	27	133
Sanco Machine & Tools Corporation ("SANCO")	Associate of ultimate holding company	Purchases of goods	27,449	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 and the respective related parties.

23 RELATED-PARTY TRANSACTIONS (Continued)

(a) Transaction and balances (Continued)

Balances

Name of company	Relationship	Nature of balances	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Fair Friend	Ultimate holding company	Trade receivable (note (a))	3,891	-
		Trade payable (note (b))	-	(1,542)
Fair Fine	Fellow subsidiary	Trade receivable (note (a))	-	48
Hong Kong GF	Immediate holding company	Trade payable (note (b))	(4,155)	(4,624)
Anest Iwata Feeler	Jointly controlled entity	Trade receivable (note (a))	6,942	-
		Trade payable (note (b))	(102)	-
Best Friend	Associate of ultimate holding company	Trade receivable (note (a))	-	241
SANCO	Fellow subsidiary	Trade payable (note (b))	(6,330)	(11,661)

- (a) The Group allows a normal credit period of 90 days for sales made to the fellow subsidiary and the ultimate holding company and its associates. Balances are unsecured and interest free. As of 30 June 2012 and 31 December 2011, the ageing of above balances were mostly within 6 to 12 months.
- (b) Balances are unsecured, interest free and repayable on demand.

23 RELATED-PARTY TRANSACTIONS (Continued)**(b) Compensation of key management personnel**

	Six months ended 30 June	
	2012 <i>RMB'000</i> (Unaudited)	2011 <i>RMB'000</i> (Unaudited)
Salaries and other allowances	1,745	1,586

24 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.

25 EVENT OCCURRING AFTER THE BALANCE SHEET DATE

There are no significant subsequent events occurred after 30 June 2012 and up to the date of approval of these financial statements.