# 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 RESULTS
## FOR THE SIX MONTHS ENDED 30 JUNE 2013

### INTERIM RESULTS

The board of directors (the "Board") of Good Friend International Holdings Inc. (the "Company") presents the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2013 together with the comparative figures for the corresponding period in 2012.

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | **Unaudited** | |
|---|---|---|---|
| | | **Six months ended 30 June** | |
| | *Note* | **2013** | 2012 |
| | | ***RMB'000*** | *RMB'000* |
| Revenue | *4* | **666,521** | 779,413 |
| Cost of revenue | | **(519,578)** | (621,847) |
| **Gross profit** | | **146,943** | 157,566 |
| Other income | *5* | **16,879** | 12,799 |
| Distribution and selling expenses | | **(75,511)** | (75,985) |
| Administrative expenses | | **(40,552)** | (50,318) |
| Other expenses | | **(1,240)** | (1,873) |
| **Operating profit** | *4, 6* | **46,519** | 42,189 |
| Finance costs | | **(4,250)** | (6,607) |
| Share of loss of jointly controlled entities | | **(1,676)** | (519) |
| Share of loss of an associate | | **(8,940)** | (1,232) |
| Loss on disposal of companies | *12* | **(9,742)** | – |
| **Profit before taxation** | | **21,911** | 33,831 |
| Income tax expense | *7* | **(7,127)** | (7,069) |

| | *Note* | Unaudited<br>Six months ended 30 June<br>**2013**<br>***RMB'000*** | <br><br>2012<br>*RMB'000* |
|---|---|---|---|
| **Profit attributable to equity holders of the Company** | | **14,784** | 26,762 |
| **Other comprehensive income** | | | |
| **Item that may be reclassified subsequently to profit or loss** | | | |
| Currency translation difference | | **6,482** | (1,119) |
| **Total comprehensive income attributable to equity holders of the Company** | | **21,266** | 25,643 |
| **Earnings per share for profit attributable to the equity holders of the Company** | | | |
| – basic and diluted | *8* | **0.04** | 0.07 |
| **Dividends** | *9* | **20,160** | 20,160 |

## CONDENSED CONSOLIDATED BALANCE SHEET

| | Note | Unaudited 30 June 2013 RMB'000 | Audited 31 December 2012 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **261,513** | 278,454 |
| Investment properties | | **1,293** | 1,343 |
| Intangible assets | | **1,290** | 1,406 |
| Investments in jointly controlled entities | | **19,875** | 18,093 |
| Investment in an associate | *13* | **23,320** | – |
| Deferred income tax assets | | **4,390** | 4,541 |
| Deposits for purchases of plant and equipment | | **8,170** | 2,010 |
| Land use rights | | **38,953** | 39,424 |
| **Total non-current assets** | | **358,804** | 345,271 |
| **Current assets** | | | |
| Inventories | | **292,931** | 354,545 |
| Debtors, deposits and prepayments | *10* | **576,879** | 621,284 |
| Amounts due from customers for contract work | | **25,496** | 27,902 |
| Amount due from ultimate holding company | | **556** | – |
| Amounts due from and prepayment to fellow subsidiaries and an associate of ultimate holding company | | **1,624** | 2,374 |
| Amounts due from jointly controlled entities | | **174** | 315 |
| Amounts due from an associate | | **–** | 411 |
| Amount due from subsidiaries of an associate of the Group | | **13,026** | – |
| Restricted bank deposits | | **21,257** | 22,964 |
| Cash and cash equivalents | | **188,776** | 109,547 |
| | | **1,120,719** | 1,139,342 |
| Assets of disposal companies classified as held for sale | *12* | **–** | 84,185 |
| **Total current assets** | | **1,120,719** | 1,223,527 |
| **Total assets** | | **1,479,523** | 1,568,798 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | | **4,022** | 4,022 |
| Reserves | | **248,192** | 241,710 |
| Retained earnings | | **410,783** | 416,159 |
| **Total equity** | | **662,997** | 661,891 |

| | Note | Unaudited 30 June 2013 RMB'000 | Audited 31 December 2012 RMB'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | | **18,775** | 23,180 |
| **Current liabilities** | | | |
| Creditors, other payables and accrued charges | *11* | **388,346** | 406,327 |
| Amounts due to customers for contract work | | **38,856** | 37,479 |
| Amount due to an ultimate holding company | | **379** | 5,898 |
| Amount due to an immediate holding company | | **5,791** | 1,980 |
| Amount due to an associate | | **–** | 521 |
| Amount due to subsidiaries of an associate of the Group | | **3,196** | – |
| Amount due to a fellow subsidiary | | **1,104** | 1,911 |
| Current income tax liabilities | | **8,781** | 7,903 |
| Warranty provision | | **6,760** | 6,702 |
| Borrowings | | **344,538** | 372,823 |
| | | **797,751** | 841,544 |
| Liabilities of disposal companies classified as held for sale | *12* | **–** | 42,183 |
| **Total current liabilities** | | **797,751** | 883,727 |
| **Total liabilities** | | **816,526** | 906,907 |
| **Total equity and liabilities** | | **1,479,523** | 1,568,798 |
| **Net current assets** | | **322,968** | 339,800 |
| **Total assets less current liabilities** | | **681,772** | 685,071 |

*Notes:*

## 1 GENERAL INFORMATION

Good Friend International Holdings Inc. ("the Company") and its subsidiaries ("the Group") are engaged in design and production of computer numerical control machine tools, three dimensional car parking garage structures and forklift trucks.

The Company was incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman Ky-1111, Cayman Islands.

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

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 29 August 2013.

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 2013 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 2012, 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 2012, 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 amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2013 but do not have a material impact on the Group:

| | |
|---|---|
| HKAS 1 Amendment | Presentation of financial statements |
| HKAS 19 Amendment | Employee benefits |
| HKAS 27 (2011) | Separate financial statements |
| HKAS 28 (2011) | Investments in associates and joint ventures |
| HKFRS 7 Amendment | Disclosures – Offsetting financial assets and financial liabilities |
| HKFRS 10 | Consolidated financial statements |
| HKFRS 11 | Joint arrangements |
| HKFRS 12 | Disclosure of interests in other entities |
| HKFRS 13 | Fair value measurement |

The adoption of these new standards and amendments to existing standards does not have significant impact on the Group's interim financial information except for additional disclosures as required by HKAS 1 Amendment "Presentation of financial statements".

**(b)** The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

- HKAS 32 (Amendment) "Financial instruments: Presentation – Offsetting financial assets and financial liabilities" clarifies the requirements for offsetting financial instruments on the statement of financial position:

  (i) the meaning of currently has a legally enforceable right of set – off; and

  (ii) that some gross settlement systems may be considered equivalents to net settlement. The Group is yet to assess the amendment to HKAS 32's full impact and intends to adopt the amendment upon its effective date, which is for the accounting period beginning on or after 1 January 2014.

- HKFRS 10, HKFRS 12 and HKFRS 27 (Amendments revised in 2011) "Investment entities" provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. The Group is yet to assess the amendments to HKFRS 10, HKFRS 12 and HKFRS 27's impacts, which will become effective for the accounting period beginning on or after 1 January 2014.

- HKFRS 9 "Financial Instruments" is the first standard issued as part of a wider project to replace HKAS 39. HKFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in HKAS 39 on impairment of financial assets and hedge accounting continues to apply. The Group is yet to assess HKFRS 9's impact, which will become effective for the accounting period beginning on or after 1 January 2015.

- HKFRS 7 and HKFRS 9 (Amendments) "Mandatory effective date and transition disclosures" delay the effective date to annual periods beginning on or after 1 January 2015, and also modify the relief from restating prior periods. As part of this relief, additional disclosures on transition from HKAS 39 to HKFRS 9 are required. The Group is yet to assess the amendments to HKFRS 7 and HKFRS 9's impact, which will become effective for the accounting period beginning on or after 1 January 2015.

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 SEGMENT INFORMATION

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

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

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

The Group does not allocate operating costs or assets to its segments, as the Executive Directors do not use this information to allocate resources to or evaluate the performance of the operating segments. Therefore, the Group does not report a measure of profit for each reportable segment and total assets for each reportable segment.

**Six months ended 30 June 2013**

| | **Machine Tools** *RMB'000* **(Unaudited)** | **Parking Garage Structures** *RMB'000* **(Unaudited)** | **Forklift Trucks** *RMB'000* **(Unaudited)** | **Total Group** *RMB'000* **(Unaudited)** |
|---|---|---|---|---|
| Revenue (all from external sales) | **512,009** | **81,926** | **72,586** | **666,521** |
| Cost of Sales | **(382,056)** | **(72,315)** | **(65,207)** | **(519,578)** |
| Segment profit | **129,953** | **9,611** | **7,379** | **146,943** |
| Other income | | | | **16,879** |
| Distribution and selling expenses | | | | **(75,511)** |
| Administrative expenses | | | | **(40,552)** |
| Other expenses | | | | **(1,240)** |
| Operating profit | | | | **46,519** |
| Finance costs | | | | **(4,250)** |
| Share of loss of jointly controlled entities | | | | **(1,676)** |
| Share of loss of an associate | | | | **(8,940)** |
| Loss on disposal of companies | | | | **(9,742)** |
| Profit before taxation | | | | **21,911** |
| Income tax expense | | | | **(7,127)** |
| Profit for the period | | | | **14,784** |

Six months ended 30 June 2012

| | Machine Tools *RMB'000* (Unaudited) | Parking Garage Structures *RMB'000* (Unaudited) | Forklift Trucks *RMB'000* (Unaudited) | Total Group *RMB'000* (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 | 140,028 | 8,571 | 8,967 | 157,566 |
| Other income | | | | 12,799 |
| Distribution and selling expenses | | | | (75,985) |
| Administrative expenses | | | | (50,318) |
| Other expenses | | | | (1,873) |
| Operating profit | | | | 42,189 |
| Finance costs | | | | (6,607) |
| Share of loss of jointly controlled entities | | | | (519) |
| Share of loss of an associate | | | | (1,232) |
| Profit before taxation | | | | 33,831 |
| Income tax expense | | | | (7,069) |
| Profit for the period | | | | 26,762 |

## 5 OTHER INCOME

| | **Six months ended 30 June** | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Net exchange gain | **2,910** | – |
| Sales of scrap materials | **3,748** | 3,082 |
| Government subsidies | **5,837** | 2,825 |
| Repair income | **949** | 4,076 |
| Rental income from investment properties | **161** | 165 |
| Gain on disposal of property, plant and equipment | **317** | 158 |
| Interest income | **1,865** | 1,827 |
| Others | **1,092** | 666 |
| | **16,879** | 12,799 |

## 6 OPERATING PROFIT

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

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Allowance for bad and doubtful debts, net | **1,138** | 68 |
| Amortisation of intangible assets | **324** | 1,033 |
| Amortisation of land use rights | **471** | 471 |
| Depreciation of property, plant and equipment | **13,721** | 13,192 |
| Depreciation of investment properties | **50** | 45 |
| Allowance for inventories, net | **1,174** | 742 |
| Research and development expenses | **20,720** | 23,022 |
| Net exchange (gain)/loss | **(2,910)** | 896 |
| (Gain)/loss on disposal of property, plant and equipment | **(191)** | 57 |

## 7 INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Enterprise income tax | **6,976** | 7,858 |
| Deferred tax | **151** | (789) |
| | **7,127** | 7,069 |

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 tax provision for Italian profits had been made for the six months ended 30 June 2012 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 15% to 25% (2012: 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 2013 is 15% (2012: 15%).

## 8 EARNINGS PER SHARE

| | Six months ended 30 June (RMB per share) | |
|---|---|---|
| | **2013** | 2012 |
| | **(Unaudited)** | (Unaudited) |
| Earnings per share for profit for the period attributable to the equity holders of the Company – basic | **0.04** | 0.07 |

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB14,784,000 (six months period ended 30 June 2012: RMB26,762,000) and 403,200,000 (2012: 403,200,000) ordinary shares in issue.

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

## 9 DIVIDENDS

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Interim dividend of RMB0.05 (2012: RMB0.05) per share | **20,160** | 20,160 |

At a meeting of the board of directors held on 29 August 2013, the directors declared an interim dividend of RMB0.05 (2012: RMB0.05) per share for the six months ended 30 June 2013. This interim dividend was not recognised as dividend payable in the unaudited condensed consolidated financial information for the six months ended 30 June 2013.

## 10 DEBTORS, DEPOSITS AND PREPAYMENTS

| | As at | |
|---|---|---|
| | **30 June** | 31 December |
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade debtors and bills receivables | **544,276** | 573,960 |
| *Less:* provision for impairment of trade receivables | **(21,657)** | (23,240) |
| **Trade receivables – net** | **522,619** | 550,720 |
| Prepayments | **22,938** | 33,089 |
| Others | **31,322** | 37,475 |
| | **576,879** | 621,284 |
| Reclassified as held for sale | **–** | 10,790 |
| Total debtors, deposits and prepayments | **576,879** | 632,074 |

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 2013** | 31 December 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Current – 30 days | **464,126** | 461,395 |
| 31 – 60 days | **5,704** | 11,825 |
| 61 – 90 days | **4,465** | 5,353 |
| 91 – 180 days | **11,305** | 25,656 |
| Over 180 days | **58,676** | 69,731 |
| | **544,276** | 573,960 |

## 11 CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES

| | **As at** | |
|---|---|---|
| | **30 June 2013** | 31 December 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade creditors | **180,353** | 160,460 |
| Advance deposits from customers | **147,732** | 185,381 |
| Other payables | **28,343** | 35,077 |
| Accrued charges | **31,918** | 25,409 |
| | **388,346** | 406,327 |
| Reclassified as held for sale | **–** | 32,202 |
| | **388,346** | 438,529 |

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** | 31 December |
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Current – 30 days | **168,113** | 107,195 |
| 31 – 60 days | **6,528** | 40,426 |
| 61 – 90 days | **1,596** | 5,906 |
| 91 – 180 days | **1,502** | 2,645 |
| Over 180 days | **2,614** | 4,288 |
| | **180,353** | 160,460 |

## 12 DISPOSAL OF A SUBSIDIARY AND AN ASSOCIATE

The Group announced that on 27 September 2012, Sky Thrive Hong Kong Enterprise Limited (a subsidiary of the Group), Golden Friendship International Limited ("Golden Friendship") (a wholly owned subsidiary of the Company's ultimate holding company), World Ten Limited ("World Ten") (8.35% of its issued share capital held by the Company's ultimate holding company) and Alma S.r.l (an independent third party) entered into an agreement for the formation of FFG Europe S.p.A. ("FFG Europe") by way of asset/business injection, pursuant to which, amongst others, Sky Thrive will provide capital contribution in the form of (i) all of its 900,000 shares representing 15% interest held in Jobs Automazione S.p.A ("Jobs"); and (ii) its entire 100% equity interests in Sky Thrive Rambaudi S.r.l. ("Rambaudi"), in exchange of 30.16% equity interest in FFG Europe.

The assets and liabilities related to Rambaudi and investment in Jobs have been presented as held for sale as at 31 December 2012. Rambaudi and Jobs are both engaged in machine tools businesses. The transaction was completed on 1 January 2013.

Details of the loss in the transaction are as follows:

| | | *RMB'000* |
|---|---|---|
| | | (Unaudited) |
| Carrying amount of net assets of Rambaudi being disposed of as at 1 January 2013 | *(a)* | 28,431 |
| Carrying amount of investment in Jobs being disposed of as at 1 January 2013 | | 13,571 |
| | | 42,002 |
| Fair value of investment in FFG Europe as at 1 January 2013 *(note 13)* | | 32,260 |
| Loss in the transaction | | 9,742 |

(a) **Net asset of Rambaudi disposed of are as follows:**

| | *RMB'000* (Unaudited) |
|---|---|
| Property, plant and equipment | 3,417 |
| Intangible assets | 14,542 |
| Inventories | 39,588 |
| Debtors, deposits and prepayments | 15,664 |
| Cash and cash equivalents | 2,277 |
| Creditors, other payable and accrued charges | (32,202) |
| Current income tax liabilities | (469) |
| Borrowings | (9,981) |
| Deferred income tax liabilities | (4,405) |
| Net assets disposed of | 28,431 |

Net cash outflow arising on disposal of Rambaudi for the period:

| | *RMB'000* (Unaudited) |
|---|---|
| Cash consideration received | – |
| *Less:* Cash and cash equivalents held by Rambaudi | (2,277) |
| Net cash and cash equivalents disposed of | (2,277) |

## 13 INVESTMENT IN AN ASSOCIATE

The formation of FFG Europe was completed on 1 January 2013, and it is owned approximately as to 30.16% by Sky Thrive, 15.05% by Golden Friendship, 14.79% by World Ten and 40% by Alma S.r.l upon completion (note 12).

There are two representations of the Group in the board of directors of FFG Europe and the Group has significant influence in FFG Europe. Accordingly, the Group accounted for such investment as an associate in the financial statements. Details are shown below:

| | **Six months ended 30 June** *RMB'000* (Unaudited) |
|---|---|
| Beginning of the period | – |
| Additions | 32,260 |
| Share of loss | (8,940) |
| End of the period | 23,320 |

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

| | **Six months ended 30 June** *RMB'000* (Unaudited) |
|---|---|
| Assets | 221,417 |
| Liabilities | 208,468 |
| Revenues | 65,942 |
| Share of loss | (8,940) |
| Percentage held | 30.16% |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

During the first half of 2013, sales volume of CNC machine tools, parking garage structures and forklift trucks amounted to 1,056 units, 5,194 units and 1,132 units respectively (2012 comparative figures: 1,232 units, 4,275 units and 1,661 units). Approximately 76.8% 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. The global economic conditions remained volatile in the first half of 2013. Amid continued weak and uncertain global conditions, China's economic growth slowed down. China's gross domestic product (GDP) growth in the second quarter declined to 7.5% from 7.7% recorded in the first quarter, while China's GDP growth was 7.6% in the first half of 2013. Under this economic environment, sales orders for the Group's CNC machine tools business were also affected. For the six months ended 30 June 2013, sales volume and sales revenue of CNC machine tools amounted to 1,056 units and approximately RMB512.01 million respectively, both representing a decrease when compared to corresponding period in 2012. Nevertheless, the gross profit margin of CNC machine tools business increased to approximately 25.4% during the period under review. This was mainly attributable to the stablisation of the raw material prices.

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 and machining centre (manufactured by Italian vendors) amounted to approximately RMB63.45 million for the period under review, accounted for approximately 12.4% of sales revenue of the Group's CNC machine tools. These high-end products could optimise the product portfolio of the Group, and strengthen its core competitiveness.

### Associates in Italy

The transaction in relation to the Group's formation of the joint venture "FFG Europe" as well as the assets injection were completed on 1 January 2013. FFG Europe is owned approximately as to 30.16% by the Group, while JOBS and Rambaudi are then wholly owned by FFG Europe. The Group therefore accounted for its investments in JOBS and Rambaudi as "investment in associates".

The formation of the joint venture and the assets injection would allow JOBS and Rambaudi to streamline their operation and consolidate their product portfolios, in particular, in the sectors of aerospace, automotive, mould and die and general engineering application, under the unified leadership and supervision of the management of JOBS who possess valuable expertise and extensive experience in the industry, thereby derive economies of scale in manufacturing, sourcing, sales and after sales services and support as well as to promote synergies in research and development and production process.

## Financial Review

### *Revenue*

For the six months ended 30 June 2013, the Group recorded revenue of approximately RMB666.52 million, representing a decrease of approximately 14.5% as compared to the corresponding period in 2012. 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 RMB512.01 million, representing a decrease of 16.6% as compared to the corresponding period in last year. Revenue of CNC machine tools accounted for approximately 76.8% 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 26.7%, as compared to corresponding period in last year, to approximately RMB72.59 million and approximately 10.9% of the Group's total revenue. Moreover, sales revenue of parking garage structures amounted to approximately RMB81.93 million during the period under review, representing an increase of approximately 23.9% as compared to corresponding period in last year and accounted for approximately 12.3% of the total revenue.

### *Gross profit and margin*

During the period under review, gross profit of the Group amounted to approximately RMB146.94 million. Overall gross profit margin was approximately 22.0%, compared to 20.2% 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 increased as compared to last year. As a result, the overall gross profit margin for the period under review increased.

### *Distribution and selling expenses*

Distribution and selling expenses for the six months ended 30 June 2013 amounted to approximately RMB75.51 million, and remained fairly stable as compared to corresponding period in last year. During the period under review, distribution and selling expenses as a percentage of the Group's revenue was approximately 11.3%, compared to 9.7% for the corresponding period in last year.

### *Administrative expenses*

Under the stringent control of the operating expenses by the management, the administrative expenses decreased by approximately 19.4% to approximately RMB40.55 million during the period under review. Included in the administrative expenses for the period under review were those research and development expenses amounted to approximately RMB20.72 million. (2012 comparative figures: RMB23.02 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.

### *Finance costs*

During the period under review, finance costs decreased to approximately RMB4.25 million. The decrease was primarily due to the decrease of average bank borrowings of the Group during the period under review.

### *Share of loss of an associate*

For the six months ended 30 June 2013, share of loss of an associate amounted to approximately RMB8.94 million (2012 comparative figures: RMB1.23 million). This was mainly attributable to the loss recorded by the associate "FFG Europe" (holding 100% equity interests of JOBS and Rambaudi) during the period under review.

### *Profit attributable to the equity holders of the Company*

For the six months ended 30 June 2013, profit attributable to the equity holders of the Company amounted to approximately RMB14.78 million, representing a decrease of approximately 44.8% as compared to the same period last year.

## Prospects

In the second half of 2013, the business environment of the Group remains challenging. Despite China's economic growth pace slows down, China is still the country experiencing the highest economic growth in the world, and its market potential remains enormous. Moreover, China is the largest machine tools consuming country. The formulation of the 12th Five Year Plan (2012-2015) 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. This will benefit the Group's CNC machine tools business. On the other hand, the management is optimistic on the business prospects of JOBS and Rambaudi. The high end CNC machine tools products of JOBS and Rambaudi not only optimise the production portfolio of the Group and increase its additional value, but also enhance application sector of customers of the Group as well as maintain the Group's competitive edge in the China market.

Looking ahead, the management remains positively cautious about the business environment of the Group. The Group will continue to strengthen its business foundation under tough market competition. The management believes that with its extensive sales network, 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 2013, the Group's cash and cash equivalents amounted to approximately RMB188.78 million (at 31 December 2012: RMB109.55 million). As at 30 June 2013, the Group had net current assets of approximately RMB322.97 million (at 31 December 2012: 339.80 million) and short-term bank borrowings of approximately RMB344.54 million (at 31 December 2012: RMB372.82 million). The current ratio (total current assets to total current liabilities) of the Group as at 30 June 2013 was approximately 1.4 (at 31 December 2012: 1.4). The gearing ratio as at 30 June 2013 (total interest bearing liabilities to total assets) was approximately 23.3% (at 31 December 2012: 23.8%), indicated that the Group's overall financial position remained strong.

**Capital structure**

The share capital of the Company as at 30 June 2013 was HK$4,032,000 divided into 403,200,000 shares of HK$0.01 each (at 31 December 2012: HK$4,032,000 divided into 403,200,000 shares of HK$0.01 each).

**Staff and remuneration policies**

As at 30 June 2013, the Group employed a total of approximately 1,480 full time employees (31 December 2012: 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 RMB1.63 million (at 31 December 2012: RMB2.40 million) which were contracted but not provided in the financial statements. The Group had no material contingent liabilities as at 30 June 2013 (at 31 December 2012: Nil).

**Charges on the group's assets**

As at 30 June 2013, the Group had restricted bank deposits with an amount of approximately RMB21.26 million (at 31 December 2012: RMB22.96 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 RMB5.46 million (31 December 2012: RMB5.53 million) as at 30 June 2013 in order to secure banking facilities granted to the Group.

**Interim dividend**

The Board declared an interim dividend of RMB0.05 (equivalent to approximately HK$0.0629 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 2013 (2012: RMB0.05), in aggregate amounting to approximately RMB20.16 million (equivalent to approximately HK$25.36 million) (2012: RMB20.16 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 2013.

**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.

**Corporate governance**

The Company has complied with the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2013 except the following.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board, Mr. Chu Chih-Yaung was unable to attend the annual general meeting of the Company held on 30 May 2013 due to business trip. 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.

**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 2013. 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 2013 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.

By order of the Board
**Good Friend International Holdings Inc.**
**Chu Chih-Yaung**
*Chairman*

Hong Kong, 29 August 2013

*As at the date of this announcement, the Board of the Company comprises (i) five executive directors, namely Mr. Chu Chih-Yaung, Mr. Chen Hsiang-Jung, Mr. Chen Min-Ho, Mr. Wen Chi-Tang and Mr. Chiu Rung-Hsien; and (ii) three independent non-executive directors, namely Mr. Koo Fook Sun, Louis, Mr. Chiang Chun-Te and Mr. Yu Yu-Tang.*