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 2014

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 2014 together with the comparative figures for the corresponding period in 2013.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
	Note	**2014**	2013
		RMB'000	*RMB'000*
Revenue	*4*	**681,056**	666,521
Cost of revenue		**(510,411)**	(519,578)
Gross profit		**170,645**	146,943
Other income	*5*	**14,970**	16,879
Distribution and selling expenses		**(66,281)**	(75,511)
Administrative expenses		**(48,979)**	(40,552)
Other expenses		**(1,122)**	(1,240)
Operating profit	*6*	**69,233**	46,519
Finance costs		**(4,757)**	(4,250)
Share of loss of joint ventures		**(1,813)**	(1,676)
Share of loss of an associate	*12*	**(6,992)**	(8,940)
Loss on disposal of companies		**–**	(9,742)
Profit before taxation		**55,671**	21,911
Income tax expense	*7*	**(9,900)**	(7,127)

	Note	Unaudited Six months ended 30 June **2014** ***RMB'000***	 2013 *RMB'000*
Profit attributable to equity holders of the Company		**45,771**	14,784
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Currency translation difference		**(3,403)**	6,482
Total comprehensive income attributable to equity holders of the Company		**42,368**	21,266
Earnings per share for profit attributable to the equity holders of the Company			
– basic and diluted	*8*	**0.11**	0.04
Dividends	*9*	**24,192**	20,160

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2014 *RMB'000***	Audited 31 December 2013 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**245,659**	256,100
Investment properties		**239**	249
Intangible assets		**1,512**	1,458
Investments in joint ventures		**19,001**	17,576
Investment in an associate	*12*	**2,774**	9,604
Available-for-sale financial asset		**571**	571
Deferred income tax assets		**5,054**	4,520
Deposits for purchases of plant and equipment		**1,560**	1,560
Land use rights		**38,010**	38,481
Total non-current assets		**314,380**	330,119
Current assets			
Inventories		**271,843**	279,016
Debtors, deposits and prepayments	*10*	**571,680**	622,553
Amount due from an investee		**13,988**	13,988
Amounts due from customers for contract work		**34,763**	24,651
Amount due from ultimate holding company		**320**	1,912
Amounts due from and prepayment to fellow subsidiaries and an associate of ultimate holding company		**479**	1,786
Amounts due from joint ventures		**1,671**	1,498
Amount due from subsidiaries of an associate of the Group		**12,368**	12,495
Restricted bank deposits		**116,759**	60,167
Cash and cash equivalents		**272,614**	235,829
Total current assets		**1,296,485**	1,253,895
Total assets		**1,610,865**	1,584,014
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**4,022**	4,022
Reserves		**212,548**	215,951
Retained earnings		**498,798**	453,027
Total equity		**715,368**	673,000

	Note	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**17,539**	18,775
Current liabilities			
Creditors, other payables and accrued charges	*11*	**393,862**	449,133
Amounts due to customers for contract work		**62,043**	49,959
Amount due to an ultimate holding company		**2,949**	1,029
Amount due to an immediate holding company		**3,618**	2,156
Amount due to a fellow subsidiary		**1,420**	321
Amount due to subsidiaries of an associate of the Group		**293**	293
Amount due to joint ventures		**444**	131
Current income tax liabilities		**14,290**	14,691
Warranty provision		**6,268**	6,774
Borrowings		**392,771**	367,752
Total current liabilities		**877,958**	892,239
Total liabilities		**895,497**	911,014
Total equity and liabilities		**1,610,865**	1,584,014
Net current assets		**418,527**	361,656
Total assets less current liabilities		**732,907**	691,775

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 KY1-1111, Cayman Islands.

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

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 29 August 2014.

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 2014 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 2013, 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 2013, 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 2014 but do not have a material impact on the Group:

HKFRS 10, HKFRS 12 and HKAS 27 Amendment	Investment Entities
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities
HKAS 36 Amendment	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedged Accounting
HK(IFRIC)-Int 21	Levies

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

There are no other amended standards or interpretations effective for the first time for this interim period that could be expected to have a material impact on the Group.

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 19 Amendment	Defined Benefit Plans: Employee Contributions	1 July 2014
Annual improvements 2010-2012	Several HKFRS standards	1 July 2014
Annual improvements 2011-2013	Several HKFRS standards	1 July 2014
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKAS 16 and HKAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial Instruments	Effective date to be determined

The directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards, amendments to standards and annual improvement. The directors of the Company will adopt the new standards, amendments to standards and annual improvement when they become effective.

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 2014	**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)	**546,826**	**65,607**	**68,623**	**681,056**
Cost of Sales	**389,569**	**59,681**	**61,161**	**510,411**
Segment profit	**157,257**	**5,926**	**7,462**	**170,645**

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

5 OTHER INCOME

	Six months ended 30 June	
	2014 ***RMB'000*** **(Unaudited)**	2013 *RMB'000* (Unaudited)
Interest income	**5,347**	1,865
Sales of scrap materials	**5,327**	3,748
Repair income	**2,173**	949
Government subsidies	**1,462**	5,837
Rental income from investment properties	**111**	161
Gain on disposal of property, plant and equipment	**4**	317
Net exchange gain	**–**	2,910
Others	**546**	1,092
	14,970	16,879

6 OPERATING PROFIT

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Allowance for bad and doubtful debts, net	**7,569**	1,138
Amortisation of intangible assets	**360**	324
Amortisation of land use rights	**471**	471
Depreciation of property, plant and equipment	**14,039**	13,721
Depreciation of investment properties	**10**	50
Allowance for inventories, net	**2,362**	1,174
Research and development expenses	**18,294**	20,720
Net exchange loss/(gain)	**1,551**	(2,910)
Loss/(gain) on disposal of property, plant and equipment	**274**	(191)

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Enterprise income tax	**10,434**	6,976
Deferred tax	**(534)**	151
	9,900	7,127

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

Enterprise income tax ("EIT") is provided at 25% for enterprises in the PRC except for Hangzhou Good Friend Precision Machinery Co., Ltd. ("Hangzhou Good Friend"). In 2014, 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 2014. Accordingly, the applicable tax rate for Hangzhou Good Friend for the six months ended 30 June 2014 is 15% (2013: 15%).

8 EARNINGS PER SHARE

	Six months ended 30 June *(RMB per share)*	
	2014	2013
	(Unaudited)	(Unaudited)
Earnings per share for profit for the period attributable to the equity holders of the Company – basic	**0.11**	0.04

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB45,771,000 (six months period ended 30 June 2013: RMB14,784,000) and 403,200,000 (2013: 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	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interim dividend of RMB0.06 (2013: RMB0.05) per share	**24,192**	20,160

At a meeting of the board of directors held on 29 August 2014, the directors declared an interim dividend of RMB0.06 (2013: RMB0.05) per share for the six months ended 30 June 2014. This interim dividend was not recognised as dividend payable in the unaudited condensed consolidated financial information for the six months ended 30 June 2014.

10 DEBTORS, DEPOSITS AND PREPAYMENTS

	As at	
	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade debtors and bills receivables	**556,157**	589,106
Less: provision for impairment of trade receivables	**(28,961)**	(21,795)
Trade receivables – net	**527,196**	567,311
Prepayments	**20,775**	19,209
Others	**23,709**	36,033
Total debtors, deposits and prepayments	**571,680**	622,553

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 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current – 30 days	**426,182**	488,597
31 – 60 days	**16,849**	6,679
61 – 90 days	**8,406**	13,683
91 – 180 days	**18,816**	21,392
Over 180 days	**85,904**	58,755
	556,157	589,106

11 CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES

	As at	
	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade creditors	**188,055**	218,424
Advance deposits from customers	**132,902**	161,632
Other payables	**31,387**	33,308
Accrued charges	**41,518**	35,769
	393,862	449,133

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 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current – 30 days	**104,457**	147,068
31 – 60 days	**55,211**	47,603
61 – 90 days	**11,766**	9,841
91 – 180 days	**8,564**	10,450
Over 180 days	**8,057**	3,462
	188,055	218,424

12 INVESTMENT IN AN ASSOCIATE

The formation of FFG Europe S.p.A. ("FFG Europe") was completed on 1 January 2013, and it is owned approximately as to 30.16% by Sky Thrive Hong Kong Enterprise Limited ("Sky Thrive") (a subsidiary of the Company), 15.05% by Golden Friendship International Limited ("Golden Friendship") (a wholly owned subsidiary of the Company's ultimate holding company), 14.79% by World Ten Limited ("World Ten") (11.76% of its issued share capital held by the Company's ultimate holding company), and 40% by Alma S.r.l (an independent third party).

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	9,604
Share of loss	(6,992)
Share of other comprehensive income	162
End of the period	2,774

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	722,304
Liabilities	713,107
Revenue	127,534
Share of loss	(6,992)
Percentage held	30.16%

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the first half of 2014, sales volume of CNC machine tools, parking garage structures and forklift trucks amounted to 1,103 units, 4,300 units and 1,106 units respectively (2013 comparative figures: 1,056 units, 5,194 units and 1,132 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 2014, global economy rose steadily whilst the economic growth of China was stable in general during the period. During the first half of 2014, the Gross Domestic Product (GDP) of China increased by 7.4% year-on-year and in the second quarter increased by 7.5%. For the six months ended 30 June 2014, sales volume and sales revenue of CNC machine tools amounted to 1,103 units and approximately RMB546.83 million respectively, both representing an increase when compared to corresponding period in 2013. Moreover, the gross profit margin of CNC machine tools business increased to approximately 28.8% during the period under review. This was mainly attributable to the decrease of the raw material prices.

During the period under review, the Group's high-end CNC machine tools products still recorded satisfactory sales revenue. Sales revenue of double column machining centre (manufactured at factory in Hangzhou) and milling and machining centre (manufactured by Italian vendors) amounted to approximately RMB118.43 million for the period under review, accounted for approximately 21.7% 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.

Financial Review

Revenue

For the six months ended 30 June 2014, the Group recorded revenue of approximately RMB681.06 million, representing an increase of approximately 2.2% as compared to the corresponding period in 2013. 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 RMB546.83 million, representing an increase of 6.8% as compared to the corresponding period in last year. Revenue of CNC machine tools accounted for approximately 80.3% 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 decreased by 5.5%, as compared to corresponding period in last year, to approximately RMB68.62 million and approximately 10.1% of the Group's total revenue. Moreover, sales revenue of parking garage structures amounted to approximately RMB65.61 million during the period under review, representing a decrease of approximately 20.0% as compared to corresponding period in last year and accounted for approximately 9.6% of the total revenue.

Gross profit and margin

During the period under review, gross profit of the Group amounted to approximately RMB170.65 million. Overall gross profit margin was approximately 25.1%, compared to 22.0% 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 2014 amounted to approximately RMB66.28 million, representing a decrease of 12.2% as compared to corresponding period in last year. This was mainly attributable to the stringent control of the corresponding expenses by the management. During the period under review, distribution and selling expenses as a percentage of the Group's revenue was approximately 9.7%, compared to 11.3% for the corresponding period in last year.

Administrative expenses

Administrative expenses increased by approximately 20.8% to approximately RMB48.98 million during the period under review. This was mainly attributable to the increases of the staff costs in mainland China and allowance for bad and doubtful debts.

Share of loss of an associate

For the six months ended 30 June 2014, share of loss of an associate amounted to approximately RMB6.99 million (2013 comparative figures: share of loss of approximately RMB8.94 million). Amount represented the Group's share of loss of the associate "FFG Europe", located in Italy, for the period under review.

Profit attributable to the equity holders of the Company

For the six months ended 30 June 2014, profit attributable to the equity holders of the Company amounted to approximately RMB45.77 million, representing an increase of approximately 209.6% as compared to the same period last year.

Strategic Acquisition

In October 2013, the Group (together with the other shareholders) incorporated FFG Werke GmbH ("FFG Werke") in Germany, with the Group holding 13.50% share capital of FFG Werke. In December 2013, the Group provided further equity contribution and shareholder's loan to FFG Werke in the total amount of Euro 1,717,500 for its acquisition of the industrial equipment division of MAG IAS GmbH ("MAG", a limited liability company incorporated in Germany).

MAG is a leading manufacturing technology group with over 2,200 employees, generating an annual turnover of approximately 750 million Euros (or approximately USD1,000 million). The industrial equipment division of MAG covers renowned machine tools brands including "Huller Hille", "Hessapp", "Honsberg", "Modul", "Witzig & Frank", "Boehringer-VDF" and a Russian sales and service entity.

The management believes that, the acquisition of the industrial equipment division of MAG by FFG Werke could benefit the Group by providing access to the renowned brands of the business. The product portfolio of the Group could be further enhanced which would be beneficial to the business development as well as the operating results of the Group.

Prospects

Under the challenging operating environment during the first half of 2014, the overall sales of the Group recorded steady growth. Looking ahead to the second half of 2014, it is expected that the global economy will gradually be strengthened whilst a stable growth in the economy of China is also anticipated. 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. This in turn will benefit the Group's CNC machine tools business. 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.

Looking ahead, with the current business environment, the Group will continue to strengthen its business foundation under a consistent cautions manner under tough market environment. The management is optimistic on the long-term development prospects of the Group.

The management will also strive to control operating costs for achieving better operating 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 2014, the Group's cash and cash equivalents amounted to approximately RMB272.61 million (at 31 December 2013: RMB235.83 million). As at 30 June 2014, the Group had net current assets of approximately RMB418.53 million (at 31 December 2013: RMB361.66 million) and short-term bank borrowings of approximately RMB392.77 million (at 31 December 2013: RMB367.75 million). The current ratio (total current assets to total current liabilities) of the Group as at 30 June 2014 was approximately 1.5 (at 31 December 2013: 1.4). The gearing ratio as at 30 June 2014 (total interest bearing liabilities to total assets) was approximately 24.4% (at 31 December 2013: 23.2%), indicated that the Group's overall financial position remained strong.

Capital structure

The share capital of the Company as at 30 June 2014 was HK$4,032,000 divided into 403,200,000 shares of HK$0.01 each (at 31 December 2013: HK$4,032,000 divided into 403,200,000 shares of HK$0.01 each).

Staff and remuneration policies

As at 30 June 2014, the Group employed a total of approximately 1,440 full time employees (31 December 2013: 1,400) 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 RMB0.98 million (at 31 December 2013: RMB0.98 million) which were contracted but not provided in the financial statements. The Group had no material contingent liabilities as at 30 June 2014 (at 31 December 2013: Nil).

Charges on the group's assets

As at 30 June 2014, the Group had restricted bank deposits with an amount of approximately RMB116.76 million (at 31 December 2013: RMB60.17 million) which mainly represented deposits placed in banks for guarantees issued for finance facilities used by the Group.

Subsidiaries of the Company had pledged their land use rights and building with an aggregate carrying amount of RMB5.33 million (31 December 2013: RMB5.46 million) as at 30 June 2014 in order to secure banking facilities granted to the Group.

Interim dividend

The Board declared an interim dividend of RMB0.06 (equivalent to approximately HK$0.0754 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 2014 (2013: RMB0.05), in aggregate amounting to approximately RMB24.19 million (equivalent to approximately HK$30.40 million) (2013: 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 2014.

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 2014 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 13 June 2014 due to business trip. Mr. Chiu Rung-Hsien 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") with written terms of reference in compliance with the CG Code which comprises three independent non-executive Directors, namely Mr. Koo Fook Sun, Louis (as chairman), Mr. Chiang Chun-Te and Mr. Yu Yu-Tang. 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 has reviewed the unaudited financial information of the Group for the six months ended 30 June 2014. 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 2014 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 2014

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.