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 2010

INTERIM RESULTS

The board of directors (the "Board") of Good Friend International Holdings Inc. (the "Company") is pleased to present the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2010 together with the comparative figures for the corresponding period in 2009.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
	Notes	**2010**	2009
		RMB'000	*RMB'000*
Revenue	*4*	**581,817**	339,742
Cost of sales and construction contract costs		**(428,302)**	(253,589)
Gross profit		**153,515**	86,153
Other income	*5*	**6,798**	4,283
Distribution and selling expenses		**(48,532)**	(33,358)
Administrative expenses	*12*	**(24,460)**	(13,736)
Other expenses		**(1,980)**	(403)
Operating profit	*4, 6*	**85,341**	42,939
Finance costs		**(1,504)**	(2,165)
Profit before taxation		**83,837**	40,774
Income tax expense	*7*	**(13,716)**	(7,443)

		Unaudited Six months ended 30 June	
	Note	**2010**	2009
		RMB'000	*RMB'000*
Profit attributable to equity holders of the Company		**70,121**	33,331
Other comprehensive income		**–**	–
Total comprehensive income attributable to equity holders of the Company		**70,121**	33,331
Earnings per share for profit attributable to the equity holders of the Company	*8*		
– basic and diluted, in RMB		**0.19**	0.10
Dividends	*9*	**60,480**	30,240

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2010** *RMB'000*	Audited 31 December 2009 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**194,912**	183,615
Investment properties		**2,109**	8,837
Intangible assets		**2,440**	2,726
Investment in a joint venture company		**4,301**	–
Deferred tax assets		**4,842**	5,235
Deposits for purchases of plant and equipment		**31,871**	2,443
Prepayment for a business acquisition		**18,890**	–
Land use rights		**41,782**	42,253
Total non-current assets		**301,147**	245,109
Current assets			
Inventories		**258,432**	209,534
Debtors, deposits and prepayments	*10*	**423,659**	262,140
Amounts due from customers for contract work		**8,557**	17,198
Amount due from ultimate holding company		**863**	588
Amount due from a fellow subsidiary and an associate of ultimate holding company		**164**	–
Restricted bank deposits		**22,885**	23,919
Cash and cash equivalents		**162,262**	68,137
Total current assets		**876,822**	581,516
Total assets		**1,177,969**	826,625
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**4,022**	3,431
Reserves		**392,531**	181,113
Retained earnings		**193,858**	178,311
Total equity		**590,411**	362,855

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings and loans		**13,582**	10,241
Deferred tax liabilities		**4,443**	4,943
Total non-current liabilities		**18,025**	15,184
Current liabilities			
Creditors, other payables and accrued charges	*11*	**423,189**	291,655
Amounts due to customers for contract work		**11,285**	18,576
Amount due to immediate holding company		**3,345**	6,448
Amount due to a joint venture company		**2,582**	–
Tax payable		**11,644**	9,406
Warranty provision		**6,671**	5,204
Borrowings and loans		**110,817**	117,297
Total current liabilities		**569,533**	448,586
Total liabilities		**587,558**	463,770
Total equity and liabilities		**1,177,969**	826,625
Net current assets		**307,289**	132,930
Total assets less current liabilities		**608,436**	378,039

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'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.

Key events

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

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

2. BASIS OF PREPARATION

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

3. ACCOUNTING POLICY

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

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial period beginning 1 January 2010.

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

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

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

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

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

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

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

HKFRS 3 (Revised), "Business combinations"

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

The standard was applied to the acquisition of a business and the related group of assets and employees from an Italian company during the period.

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

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

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

4. SEGMENT INFORMATION

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

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

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

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

Six months ended 30 June 2010

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

Six months ended 30 June 2009

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

5. OTHER INCOME

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

6. OPERATING PROFIT

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

7. INCOME TAX EXPENSE

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

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

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

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

8. EARNINGS PER SHARE

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

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

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

9. DIVIDENDS

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

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

10. DEBTORS, DEPOSITS AND PREPAYMENTS

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

The Group generally allows a credit period of 30 to 180 days to its customers. The Group also allows its customers to retain certain percentage of the outstanding balances as retention money for a one-year warranty period. The aging analysis of trade debtors, net of allowance of doubtful debts, is as follows:

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

11. CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES

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

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

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

12. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

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

Gross profit and margin

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

Distribution and selling expenses

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

Administrative expenses

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

Finance costs

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

Profit attributable to the equity holders of the Company

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

Business review

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

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

Strategic Acquisition

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

Prospects

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

Looking ahead, the management believes that with its extensive sales network, solid research and development foundation as well as advanced manufacturing facilities, the Group is capable of meeting customers' different needs. On the other hand, the Group will also look for appropriate investing and acquisition activities. The Group is committed to become an international CNC machine tools manufacturer to bring favorable returns to the shareholders of the Company. In conclusion, the management is optimistic about China's economic development prospects and the Group's prospect in the foreseeable future.

Liquidity and financial resources

The working capital of the Group was mainly financed by internal cash flows generated from its operation and its existing banking facilities. As at 30 June 2010, the Group's cash and cash equivalents amounted to approximately RMB162.26 million (at 31 December 2009: RMB68.14 million). As at 30 June 2010, the Group had net current assets of approximately RMB307.29 million (at 31 December 2009: RMB132.93 million) and short-term bank borrowings of approximately RMB110.82 million (at 31 December 2009: RMB117.30 million). The current ratio (total current assets to total current liabilities) of the Group as at 30 June 2010 was approximately 1.5 (at 31 December 2009: 1.3). The gearing ratio as at 30 June 2010 (total interest bearing liabilities to total assets) was approximately 10.6% (at 31 December 2009: 15.4%), indicated that the Group's overall financial position remained strong.

Capital structure

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

Staff and remuneration policies

As at 30 June 2010, the Group employed a total of approximately 1,460 full time employees (31 December 2009: 1,230) in Hong Kong and the PRC. The Group's emolument policies are formulated on the basis of market trends, future plans and the performance of individuals, which will be reviewed periodically. Apart from provident fund scheme and state-managed social welfare scheme, share options (if any) will also be awarded to employees according to assessment of individuals' performance.

Capital commitments and contingencies

The Group had capital expenditure commitments mainly for property, plant and equipment of approximately RMB38 million (at 31 December 2009: RMB3.43 million) which were contracted but not provided in the financial statements. The Group also had commitments of RMB13.55 million (at 31 December 2009: RMB17.92 million) in respect of capital contribution to a joint venture company. The Group had no material contingent liabilities as at 30 June 2010 (at 31 December 2009: Nil).

Charges on the group's assets

As at 30 June 2010, the Group had restricted bank deposits with an amount of approximately RMB22.89 million (at 31 December 2009: RMB23.92 million) which represented guarantee deposit in banks for the purpose of bidding contracts.

Subsidiaries of the Company had pledged their land use rights and building with an aggregate carrying amount of RMB40.44 million (31 December 2009: RM67.25 million) as at 30 June 2010 in order to secure banking facilities granted to the Group.

INTERIM DIVIDEND

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance practices. The Company has applied the principles and made efforts to compile with code provisions of the CG Code for the six months ended 30 June 2010, except for the deviation from code provision E.1.2 of the CG Code, which stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board, Mr. Chu Chih-Yaung, was unable to attend the annual general meeting of the Company held on 31 March 2010 due to business trip and Mr. Chen Hsiang-Jung as executive Director of the Company took the chair pursuant to the Articles of the Association of the Company.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 22 December 2005 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors, Mr. Koo Fook Sun, Louis (as chairman), Mr. Chiang Chun-Te and Mr. Yu Yu-Tang. The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2010. The Company's external auditor, PricewaterhouseCoopers, has conducted a review of the interim financial information of the Group for the six months ended 30 June 2010 in accordance with Hong Kong standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

Hong Kong, 5 August 2010

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.