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 2012

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 2012 together with the comparative figures for the corresponding period in 2011.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
	Note	**2012**	2011
		RMB'000	*RMB'000*
Revenue	*4*	**779,413**	945,943
Cost of revenue		**(621,847)**	(706,893)
Gross profit		**157,566**	239,050
Other income	*5*	**12,799**	13,453
Share of loss of jointly controlled entities		**(519)**	–
Share of loss of an associate		**(1,232)**	–
Distribution and selling expenses		**(75,985)**	(73,768)
Administrative expenses		**(50,318)**	(52,058)
Other expenses		**(1,873)**	(1,480)
Operating profit	*4,6*	**40,438**	125,197
Finance costs		**(6,607)**	(3,309)
Profit before taxation		**33,831**	121,888
Income tax expense	*7*	**(7,069)**	(19,172)

	Note	Unaudited Six months ended 30 June 2012 RMB'000	2011 RMB'000
Profit attributable to equity holders of the Company		**26,762**	102,716
Other comprehensive income		**(1,119)**	–
Total comprehensive income attributable to equity holders of the Company		**25,643**	102,716
Earnings per share for profit attributable to the equity holders of the Company			
– basic and diluted	*8*	**0.07**	0.25
Dividends	*9*	**20,160**	48,384

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2012** *RMB'000*	Audited 31 December 2011 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**290,393**	288,677
Investment properties		**1,253**	1,442
Intangible assets		**14,534**	14,779
Investments in jointly controlled entities		**19,433**	19,952
Investment in an associate		**12,142**	–
Deferred tax assets		**4,246**	4,534
Deposits for purchases of plant and equipment		**2,076**	2,178
Land use rights		**39,896**	40,367
Total non-current assets		**383,973**	371,929
Current assets			
Inventories		**480,025**	532,791
Debtors, deposits and prepayments	*10*	**608,775**	622,577
Amounts due from customers for contract work		**35,219**	29,135
Amount due from ultimate holding company		**3,891**	–
Amounts due from a fellow subsidiary		**–**	48
Amount due from jointly controlled entities		**6,942**	–
Amount due from an associate of ultimate holding company		**–**	241
Restricted bank deposits		**21,933**	35,205
Cash and cash equivalents		**158,861**	140,482
Total current assets		**1,315,646**	1,360,479
Total assets		**1,699,619**	1,732,408
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**4,022**	4,022
Reserves		**303,090**	304,209
Retained earnings		**400,899**	374,137
Total equity		**708,011**	682,368

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

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 28 August 2012.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICY

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

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

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

- HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Group is yet to assess the amendments to HKAS 9's impact.

- HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 upon its effective date, which is for the accounting period beginning on or after 1 January 2013.

- HKFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 upon its effective date, which is for the accounting period beginning on or after 1 January 2013.

- HKFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 upon its effective date, which is for the accounting period beginning on or after 1 January 2013.

- HKAS 19 (Amendment) 'Employee benefits' eliminate the corridor approach and calculate finance costs on a net funding basis. The Group is yet to assess the amendments to HKAS 19's impact, which will become effective for the accounting period beginning on or after 1 January 2013.

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

4. 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 2012

	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)	**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**	**12,799**
Share of loss of jointly controlled entities				**(519)**	**(519)**
Share of loss of an associate				**(1,232)**	**(1,232)**
Distribution and selling expenses				**(75,985)**	**(75,985)**
Administrative expenses				**(50,318)**	**(50,318)**
Other expenses				**(1,873)**	**(1,873)**
Operating profit				**(117,128)**	**40,438**
Finance costs				**(6,607)**	**(6,607)**
Profit before taxation				**(123,735)**	**33,831**
Income tax expense				**(7,069)**	**(7,069)**
Profit for the period					**26,762**

Six months ended 30 June 2011

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

5 OTHER INCOME

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

6 OPERATING PROFIT

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

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

7 INCOME TAX EXPENSE

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

No provision for Hong Kong profits tax has been made since the Group did not have any assessable profit arising in Hong Kong for both periods. In addition, no provision for Italian profits had been made for both periods as the Italian operations of the Group did not have any assessable profits.

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

8 EARNINGS PER SHARE

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

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

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

9 DIVIDENDS

	Siz months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interim dividend of RMB0.05 (2011: RMB0.12) per share	**20,160**	48,384

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

10 DEBTORS, DEPOSITS AND PREPAYMENTS

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

The Group generally allows a credit period of 30 to 180 days to its customers. The Group also allows its customers to retain certain percentage of the outstanding balances as retention money for a one-year warranty period. The ageing analysis of trade debtors and bills receivable were as follows:

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

11 CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

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

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

Financial Review

Revenue

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

Gross profit and margin

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

Distribution and selling expenses

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

Administrative expenses

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

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

Finance costs

During the period under review, finance costs increased to approximately RMB6.61 million. The increase was primarily due to the increase of average bank borrowings of the Group during the period under review.

Profit attributable to the equity holders of the Company

For the six months ended 30 June 2012, profit attributable to the equity holders of the Company amounted to approximately RMB26.76 million, representing a decrease of approximately 73.9% as compared to the same period last year.

Strategic acquisition

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

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

Prospects

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

Looking ahead, the management is optimistic on the long-term development prospects of the Group. The Group will continue to strengthen its business foundation in a prudent manner under tough market environment. The management believes that with its extensive sales network and comprehensive after-sales service, solid business foundation as well as outstanding product quality, the Group is capable of meeting customers' different needs and continue to strengthen its market position. The management will also strive to strengthen the cost control and production efficiency for achieving better results, in order to bring favorable returns to the shareholders of the Company.

Liquidity and financial resources

The working capital of the Group was mainly financed by internal cash flows generated from its operation and its existing banking facilities. As at 30 June 2012, the Group's cash and cash equivalents amounted to approximately RMB158.86 million (at 31 December 2011: RMB140.48 million). As at 30 June 2012, the Group had net current assets of approximately RMB344.76 million (at 31 December 2011: RMB332.24 million) and short-term bank borrowings of approximately RMB419.51 million (at 31 December 2011: RMB364.16 million). The current ratio (total current assets to total current liabilities) of the Group as at 30 June 2012 was approximately 1.4 (at 31 December 2011: 1.3). The gearing ratio as at 30 June 2012 (total interest bearing liabilities to total assets) was approximately 24.7% (at 31 December 2011: 21.0%), indicated that the Group's overall financial position remained strong.

Capital structure

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

Staff and remuneration policies

As at 30 June 2012, the Group employed a total of approximately 1,680 full time employees (31 December 2011: 1,970) in Hong Kong and the PRC. The Group's emolument policies are formulated on the basis of market trends, future plans and the performance of individuals, which will be reviewed periodically. Apart from provident fund scheme and state-managed social welfare scheme, share options (if any) will also be awarded to employees according to assessment of individuals' performance.

Capital commitments and contingencies

The Group had capital expenditure commitments mainly for property, plant and equipment of approximately RMB6.52 million (at 31 December 2011: RMB6.50 million) which were contracted but not provided in the financial statements. The Group had no commitments (at 31 December 2011: Nil) in respect of capital contribution to a joint venture company. The Group had no material contingent liabilities as at 30 June 2012 (at 31 December 2011: Nil).

Charges on the group's assets

As at 30 June 2012, the Group had restricted bank deposits with an amount of approximately RMB21.93 million (at 31 December 2011: RMB35.21 million) which represented guarantee deposit in banks for the purpose of bidding contracts.

Subsidiaries of the Company had pledged their land use rights and building with an aggregate carrying amount of RMB37.70 million (31 December 2011: RMB38.39 million) as at 30 June 2012 in order to secure banking facilities granted to the Group.

Interim dividend

The Board declared an interim dividend of RMB0.05 (equivalent to approximately HK$0.061 according to the average middle rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China at the date of this announcement) per share for the six months ended 30 June 2012 (2011: RMB0.12), in aggregate amounting to approximately RMB20.16 million (equivalent to approximately HK$24.60 million) (2011: RMB48.384 million).

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

Purchase, redemption or sale of listed securities of the Company

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2012.

Model code for securities transactions by directors

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

Code on corporate governance practices

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

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

Audit committee

The Company established an audit committee (the "Audit Committee") on 22 December 2005 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors, Mr. Koo Fook Sun, Louis (as chairman), Mr. Chiang Chun-Te and Mr. Yu Yu-Tang. The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2012. The Company's external auditor, PricewaterhouseCoopers, has conducted a review of the interim financial information of the Group for the six months ended 30 June 2012 in accordance with Hong Kong standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

Hong Kong, 28 August 2012

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.