

GOOD FRIEND INTERNATIONAL HOLDINGS INC. 友佳國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2398

INTERIM REPORT
2013



CONTENTS

	PAGE
CORPORATE INFORMATION	2
MANAGEMENT DISCUSSION AND ANALYSIS	3
DISCLOSURE OF INTERESTS	7
OTHER INFORMATION	11
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION	14
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	15
CONDENSED CONSOLIDATED BALANCE SHEET	16
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	18
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	19
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION	20

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

CHU Chih-Yaung (*Chairman*)
CHEN Hsiang-Jung (*Chief Executive Officer*)
CHEN Min-Ho
WEN Chi-Tang
CHIU Rung-Hsien

Independent Non-Executive Directors

KOO Fook Sun, Louis
CHIANG Chun-Te
YU Yu-Tang

COMPANY SECRETARY

LO Tai On

AUTHORISED REPRESENTATIVES

CHEN Hsiang-Jung
CHIU Rung-Hsien

LEGAL ADVISERS AS TO HONG KONG LAW

Woo Kwan Lee & Lo

AUDITORS

PricewaterhouseCoopers

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2003, 20th Floor
Kai Tak Commercial Building
317-319 Des Voeux Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 120 Shixin North Road
Xiaoshan Economic and Technological
Development Zone
Xiaoshan District
Hangzhou City
Zhejiang Province
The PRC

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

STOCK CODE

2398

WEBSITE

<http://www.goodfriend.hk>

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

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

Despite being affected by the slowdown of China's economic growth, the Group's high-end CNC machine tools products still recorded satisfactory sales revenue during the period under review. Sales revenue of double column machining centre (manufactured at factory in Hangzhou) and milling and machining centre (manufactured by Italian vendors) amounted to approximately RMB63.45 million for the period under review, accounted for approximately 12.4% of sales revenue of the Group's CNC machine tools. These high-end products could optimise the product portfolio of the Group, and strengthen its core competitiveness.

Associates in Italy

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

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

Financial Review

Revenue

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

Gross profit and margin

During the period under review, gross profit of the Group amounted to approximately RMB146.94 million. Overall gross profit margin was approximately 22.0%, compared to 20.2% for the corresponding period in last year. The gross profit margin of CNC machine tools (the Group's major product) during the period under review increased as compared to last year. As a result, the overall gross profit margin for the period under review increased.

Distribution and selling expenses

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

Administrative expenses

Under the stringent control of the operating expenses by the management, the administrative expenses decreased by approximately 19.4% to approximately RMB40.55 million during the period under review. Included in the administrative expenses for the period under review were those research and development expenses amounted to approximately RMB20.72 million. (2012 comparative figures: RMB23.02 million). Such decrease of the research and development expenses was in line with the decrease of the sales revenue of CNC machine tools (the Group's major product) during the period under review.

Finance costs

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

Share of loss of an associate

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

Profit attributable to the equity holders of the Company

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

Prospects

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

Looking ahead, the management remains positively cautious about the business environment of the Group. The Group will continue to strengthen its business foundation under tough market competition. The management believes that with its extensive sales network, solid business foundation as well as outstanding product quality, the Group is capable of meeting customers' different needs and continue to strengthen its market position. The management will also strive to strengthen the cost control and production efficiency for achieving better results, in order to bring favorable returns to the shareholders of the Company.

Liquidity and financial resources

The working capital of the Group was mainly financed by internal cash flows generated from its operation and its existing banking facilities. As at 30 June 2013, the Group's cash and cash equivalents amounted to approximately RMB188.78 million (at 31 December 2012: RMB109.55 million). As at 30 June 2013, the Group had net current assets of approximately RMB322.97 million (at 31 December 2012: 339.80 million) and short-term bank borrowings of approximately RMB344.54 million (at 31 December 2012: RMB372.82 million). The current ratio (total current assets to total current liabilities) of the Group as at 30 June 2013 was approximately 1.4 (at 31 December 2012: 1.4). The gearing ratio as at 30 June 2013 (total interest bearing liabilities to total assets) was approximately 23.3% (at 31 December 2012: 23.8%), indicated that the Group's overall financial position remained strong.

Capital structure

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

Staff and remuneration policies

As at 30 June 2013, the Group employed a total of approximately 1,480 full time employees (31 December 2012: 1,600) in Hong Kong and the PRC. The Group's emolument policies are formulated on the basis of market trends, future plans and the performance of individuals, which will be reviewed periodically. Apart from provident fund scheme and state-managed social welfare scheme, share options (if any) will also be awarded to employees according to assessment of individuals' performance.

Capital commitments and contingencies

The Group had capital expenditure commitments mainly for property, plant and equipment of approximately RMB1.63 million (at 31 December 2012: RMB2.40 million) which were contracted but not provided in the financial statements. The Group had no material contingent liabilities as at 30 June 2013 (at 31 December 2012: Nil).

Charges on the group's assets

As at 30 June 2013, the Group had restricted bank deposits with an amount of approximately RMB21.26 million (at 31 December 2012: RMB22.96 million) which represented guarantee deposit in banks for the purpose of bidding contracts.

Subsidiaries of the Company had pledged their land use rights and building with an aggregate carrying amount of RMB5.46 million (31 December 2012: RMB5.53 million) as at 30 June 2013 in order to secure banking facilities granted to the Group.

DISCLOSURE OF INTERESTS

Directors' interest in shares

As at 30 June 2013, the interests or short positions of the Directors or chief executive in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), are set out below:

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

Name of Director	Name of associated corporation	Nature of interest	Number and class of securities	Approximate percentage of shareholding
Mr. Chu Chih-Yaung	友嘉實業股份有限公司 (Fair Friend Enterprise Company Limited) ("Taiwan FF")	Beneficial owner	24,323,347 shares	15.45%
Mr. Chu Chih-Yaung (Note 1)	Taiwan FF	Spouse interest	4,361,925 shares	2.77%
Mr. Chen Hsiang-Jung	Taiwan FF	Beneficial owner	3,714,841 shares	2.36%
Mr. Chu Chih-Yaung	友迦工業股份有限公司 (Fairskq (Taiwan) Co., Ltd.) (Note 3)	Beneficial owner	21,988 shares	0.22%
Mr. Chu Chih-Yaung (Note 2)	友迦工業股份有限公司 (Fairskq (Taiwan) Co., Ltd.) (Note 3)	Spouse interest	21,988 shares	0.22%
Mr. Chu Chih-Yaung	佑泰興實業股份有限公司 (Yu Thai Xin Ent. Co., Ltd.) (Note 3)	Beneficial owner	1,000 shares	0.01%

Name of Director	Name of associated corporation	Nature of interest	Number and class of securities	Approximate percentage of shareholding
Mr. Chu Chih-Yaung (Note 4)	佑泰興實業股份有限公司 (Yu Thai Xin Ent. Co., Ltd.) (Note 3)	Spouse interest	1,000 shares	0.01%
Mr. Chu Chih-Yaung (Note 5)	友嘉國際股份有限公司 (Decaview Asia Corporation) (Note 3)	Spouse interest	14,700 shares	0.59%
Mr. Chen Hsiang-Jung	友嘉國際股份有限公司 (Decaview Asia Corporation) (Note 3)	Beneficial owner	2,940 shares	0.12%
Mr. Chu Chih-Yaung	Fair Fine (Hongzhou) Industrial Co., Ltd. (Note 3)	Beneficial owner	750 shares	0.03%
Mr. Chen Hsiang-Jung	Fair Fine (Hongzhou) Industrial Co., Ltd. (Note 3)	Beneficial owner	750 shares	0.03%

Notes:

1. Ms. Wang Tz-Ti (formerly known as Wang Jin-Zu) ("Ms. Wang"), the spouse of Mr. Chu Chih-Yaung ("Mr. Chu"), held 2.77% of the issued share capital of Taiwan FF. Mr. Chu was deemed to be interested in all the shares held by Ms. Wang in Taiwan FF under the SFO.
2. Ms. Wang held 0.22% of the issued share capital of Fairseq (Taiwan) Co., Ltd.. Mr. Chu was deemed to be interested in all the shares held by Ms. Wang in Fairseq (Taiwan) Co., Ltd. under the SFO.
3. These companies are non-wholly-owned subsidiaries of Taiwan FF and are therefore associated corporations of the Company for the purpose of the SFO.

4. Ms. Wang held 0.01% of the issued share capital of Yu Thai Xin Ent. Co., Ltd.. Mr. Chu was deemed to be interested in all the shares held by Ms. Wang in Yu Thai Xin Ent. Co., Ltd. under the SFO.
5. Ms. Wang held 0.59% of the issued share capital of Decaview Asia Corporation. Mr. Chu was deemed to be interested in all the shares held by Ms. Wang in Decaview Asia Corporation under the SFO.

Save as disclosed above, as at 30 June 2013, none of the Directors or chief executive of the Company had any interest in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2013, none of the Directors or chief executive of the Company, had any short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' rights to acquire shares or debentures

At no time during the period under review, were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or chief executive of the Company or their respective spouse or children under 18 years of age; or were any such rights exercised by them; or was the Company or its subsidiaries a party to any arrangement (other than the share option scheme as disclosed below) to enable the Directors to acquire such rights or benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Share option scheme

The Company adopted a share option scheme (the "Scheme") on 22 December 2005, pursuant to which the Board may, at its discretion, grant options to Directors and other eligible persons (as defined in the Scheme) to enable them to subscribe for shares of the Company as incentives and/or rewards for their contribution to the success of the Group. Particulars of the Scheme are set out in the 2012 annual report of the Company.

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

Substantial shareholders

As at 30 June 2013, the interests or short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

1. Aggregate long position in the shares and underlying shares of the Company

Name of shareholder	Nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Good Friend (H.K.) Corporation Limited ("Hong Kong GF")	Beneficial owner	232,000,000 shares (<i>Note</i>)	57.54%
Taiwan FF	Interest of controlled corporation	232,000,000 shares (<i>Note</i>)	57.54%

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

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2013.

OTHER INFORMATION

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of directors' information of the Company since the date of the 2012 Annual Report is as follows:

Mr. Chiang Chun-Te, resigned as a general manager of Istra Corporation in January 2013, and resigned as an independent director of Swancor Ind. Co., Ltd. (listed on the Taiwan Stock Exchange Corporation) in June 2013.

Save as disclosed above, the Company is not aware of other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Interim dividend

The Board declared an interim dividend of RMB0.05 (equivalent to approximately HK\$0.0629 according to the average middle rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on 29 August 2013) per share for the six months ended 30 June 2013 (2012: RMB0.05), in aggregate amounting to approximately RMB20.16 million (equivalent to approximately HK\$25.36 million) (2012: RMB20.16 million).

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

Purchase, redemption or sale of listed securities of the Company

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2013.

Model code for securities transactions by directors

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

Corporate governance

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

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board, Mr. Chu Chih-Yaung was unable to attend the annual general meeting of the Company held on 30 May 2013 due to business trip. Mr. Chen Hsiang-Jung as executive Director of the Company took the chair of the annual general meeting pursuant to the Articles of the Association of the Company.

Audit committee

The Company established an audit committee (the “Audit Committee”) on 22 December 2005 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors, Mr. Koo Fook Sun, Louis (as chairman), Mr. Chiang Chun-Te and Mr. Yu Yu-Tang. The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2013. The Company’s external auditor, PricewaterhouseCoopers, has conducted a review of the interim financial information of the Group for the six months ended 30 June 2013 in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

Nomination committee

The Company established a nomination committee (the “Nomination Committee”), with written terms of reference in compliance with the CG Code and consists of two independent non-executive Directors, namely Mr. Koo Fook Sun, Louis (as chairman) and Mr. Chiang Chun-Te, and one executive Director, namely Mr. Chen Hsiang-Jung.

The functions of the Nomination Committee are reviewing and supervising the structure, size and composition of the Board, identifying qualified individuals to become members of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors.

Remuneration committee

The Company established a remuneration committee (the “Remuneration Committee”), with written terms of reference in compliance with the CG Code and consists of two independent non-executive Directors, namely Mr. Koo Fook Sun, Louis (as chairman) and Mr. Chiang Chun-Te, and one executive Director, namely Mr. Chen Hsiang-Jung.

The functions of the Remuneration Committee are establishing and reviewing the policy and structure of the remuneration for the Directors and senior management.

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

Hong Kong, 29 August 2013

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

(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 15 to 42, which comprises the interim condensed consolidated balance sheet of Good Friend International Holdings Inc. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 August 2013

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June	
		2013 RMB'000	2012 RMB'000
Revenue	6	666,521	779,413
Cost of revenue		(519,578)	(621,847)
Gross profit		146,943	157,566
Other income	7	16,879	12,799
Distribution and selling expenses		(75,511)	(75,985)
Administrative expenses		(40,552)	(50,318)
Other expenses		(1,240)	(1,873)
Operating profit	6, 8	46,519	42,189
Finance costs		(4,250)	(6,607)
Share of loss of jointly controlled entities		(1,676)	(519)
Share of loss of an associate	17	(8,940)	(1,232)
Loss on disposal of companies	16	(9,742)	–
Profit before taxation		21,911	33,831
Income tax expense	9	(7,127)	(7,069)
Profit attributable to equity holders of the Company		14,784	26,762
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Currency translation difference		6,482	(1,119)
Total comprehensive income attributable to equity holders of the Company		21,266	25,643
Earnings per share for profit attributable to the equity holders of the Company			
– basic and diluted	10	0.04	0.07

The notes on page 20 to 42 form an integral part of this condensed consolidated interim financial information.

		RMB'000	RMB'000
Dividends	11	20,160	20,160

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	261,513	278,454
Investment properties	13	1,293	1,343
Intangible assets	14	1,290	1,406
Investments in jointly controlled entities	15	19,875	18,093
Investment in an associate	17	23,320	–
Deferred income tax assets	21	4,390	4,541
Deposits for purchases of plant and equipment		8,170	2,010
Land use rights	18	38,953	39,424
Total non-current assets		358,804	345,271
Current assets			
Inventories		292,931	354,545
Debtors, deposits and prepayments	19	576,879	621,284
Amounts due from customers for contract work		25,496	27,902
Amount due from ultimate holding company	25	556	–
Amounts due from and prepayment to fellow subsidiaries and an associate of ultimate holding company	25	1,624	2,374
Amounts due from jointly controlled entities	25	174	315
Amounts due from an associate	25	–	411
Amount due from subsidiaries of an associate of the Group	25	13,026	–
Restricted bank deposits		21,257	22,964
Cash and cash equivalents		188,776	109,547
		1,120,719	1,139,342
Assets of disposal companies classified as held for sale	16	–	84,185
Total current assets		1,120,719	1,223,527
Total assets		1,479,523	1,568,798
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	20	4,022	4,022
Reserves		248,192	241,710
Retained earnings		410,783	416,159
Total equity		662,997	661,891

	<i>Note</i>	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	21	18,775	23,180
Current liabilities			
Creditors, other payables and accrued charges	23	388,346	406,327
Amounts due to customers for contract work		38,856	37,479
Amount due to an ultimate holding company	25	379	5,898
Amount due to an immediate holding company	25	5,791	1,980
Amount due to an associate	25	–	521
Amount due to subsidiaries of an associate of the Group	25	3,196	–
Amount due to a fellow subsidiary	25	1,104	1,911
Current income tax liabilities		8,781	7,903
Warranty provision		6,760	6,702
Borrowings	22	344,538	372,823
		797,751	841,544
Liabilities of disposal companies classified as held for sale	16	–	42,183
Total current liabilities		797,751	883,727
Total liabilities		816,526	906,907
Total equity and liabilities		1,479,523	1,568,798
Net current assets		322,968	339,800
Total assets less current liabilities		681,772	685,071

The notes on page 20 to 42 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Unaudited					
	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserves <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total equity <i>RMB'000</i>
Balance at 1 January 2013	4,022	122,601	77,338	41,771	416,159	661,891
Comprehensive income:						
Profit for the period	-	-	-	-	14,784	14,784
Other comprehensive income:						
Currency translation difference	-	-	-	6,482	-	6,482
Total comprehensive income for the period ended 30 June 2013	-	-	-	6,482	14,784	21,266
Dividends relating to 2012 paid in June 2013	-	(20,160)	-	-	-	(20,160)
Balance at 30 June 2013	4,022	102,441	77,338	48,253	430,943	662,997

The notes on page 20 to 42 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		Unaudited	
		Six months ended 30 June	
Note		2013 RMB'000	2012 RMB'000
Cash flows from/(used in) operating activities			
	Cash generated/(used in) from operations	145,804	(4,589)
	– income tax paid	(6,098)	(11,184)
	Net cash generated/(used in) from operating activities	<u>139,706</u>	<u>(15,773)</u>
Cash flows from investing activities			
	– acquisition of an associate	–	(13,374)
	– investment in a jointly controlled entity	15 (3,458)	–
	– acquisition of property, plant and equipment and intangible assets	(6,158)	(14,925)
	– proceeds from disposal of property, plant and equipment	132	427
	– decrease in restricted bank deposit	1,707	13,272
	– net cash paid from disposal of a subsidiary	16 (2,277)	–
	Net cash used in investing activities	<u>(10,054)</u>	<u>(14,600)</u>
Cash flows from financing activities			
	– proceeds from new borrowings	711,998	791,609
	– repayments of borrowings	(740,283)	(736,250)
	– dividends paid to equity holders	(20,160)	–
	– interest paid	(4,255)	(6,607)
	Net cash (used in)/generated from financing activities	<u>(52,700)</u>	<u>48,752</u>
	Net increase in cash and cash equivalents	76,952	18,379
	Cash and cash equivalents at the beginning of the period	<u>111,824</u>	<u>140,482</u>
	Cash and cash equivalents at end of the period	<u><u>188,776</u></u>	<u><u>158,861</u></u>

The notes on page 20 to 42 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 29 August 2013.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”), “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 ACCOUNTING POLICY

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

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

3 ACCOUNTING POLICY (Continued)

(a) New and amended standards adopted by the Group

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

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

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

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

- HKAS 32 (Amendment) "Financial instruments: Presentation – Offsetting financial assets and financial liabilities" clarifies the requirements for offsetting financial instruments on the statement of financial position:
 - (i) the meaning of currently has a legally enforceable right of set – off; and
 - (ii) that some gross settlement systems may be considered equivalents to net settlement. The Group is yet to assess the amendment to HKAS 32's full impact and intends to adopt the amendment upon its effective date, which is for the accounting period beginning on or after 1 January 2014.
- HKFRS 10, HKFRS 12 and HKFRS 27 (Amendments revised in 2011) "Investment entities" provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. The Group is yet to assess the amendments to HKFRS 10, HKFRS 12 and HKFRS 27's impacts, which will become effective for the accounting period beginning on or after 1 January 2014.

3 ACCOUNTING POLICY (Continued)

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

- HKFRS 9 “Financial Instruments” is the first standard issued as part of a wider project to replace HKAS 39. HKFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The guidance in HKAS 39 on impairment of financial assets and hedge accounting continues to apply. The Group is yet to assess HKFRS 9’s impact, which will become effective for the accounting period beginning on or after 1 January 2015.
- HKFRS 7 and HKFRS 9 (Amendments) “Mandatory effective date and transition disclosures” delay the effective date to annual periods beginning on or after 1 January 2015, and also modify the relief from restating prior periods. As part of this relief, additional disclosures on transition from HKAS 39 to HKFRS 9 are required. The Group is yet to assess the amendments to HKFRS 7 and HKFRS 9’s impact, which will become effective for the accounting period beginning on or after 1 January 2015.

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

4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The fair value of investment in an associate is determined by using valuation techniques and with reference to independent valuations. The Group determines the appropriate discount rate and adopts discounted cash flow analysis to account for the investment in an associate. The Group uses its judgement and makes assumptions that are mainly based on market conditions existing at the acquisition date in determining the future cash flow.

In preparing these condensed consolidated interim financial statements, other significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

There have been no changes in the risk management department since year end or in any risk management policies since the year end.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

As at 30 June 2013, the Group had no financial instrument which had been stated at fair value.

The carrying amounts less impairment provision of receivables and payables are a reasonable approximation of their fair values due to their short-term maturities.

6 SEGMENT INFORMATION

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

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

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

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

Six months ended 30 June 2013

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

6 SEGMENT INFORMATION (Continued)

Six months ended 30 June 2012

	Machine Tools <i>RMB'000</i> (Unaudited)	Parking Garage Structures <i>RMB'000</i> (Unaudited)	Forklift Trucks <i>RMB'000</i> (Unaudited)	Total Group <i>RMB'000</i> (Unaudited)
Revenue (all from external sales)	614,219	66,112	99,082	779,413
Cost of Sales	<u>(474,191)</u>	<u>(57,541)</u>	<u>(90,115)</u>	<u>(621,847)</u>
Segment profit	<u>140,028</u>	<u>8,571</u>	<u>8,967</u>	157,566
Other income				12,799
Distribution and selling expenses				(75,985)
Administrative expenses				(50,318)
Other expenses				<u>(1,873)</u>
Operating profit				<u>42,189</u>
Finance costs				(6,607)
Share of loss of jointly controlled entities				(519)
Share of loss of an associate				<u>(1,232)</u>
Profit before taxation				33,831
Income tax expense				<u>(7,069)</u>
Profit for the period				<u>26,762</u>

7 OTHER INCOME

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

8 OPERATING PROFIT

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

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

9 INCOME TAX EXPENSE

	Six months ended 30 June	
	2013 <i>RMB'000</i> (Unaudited)	2012 <i>RMB'000</i> (Unaudited)
Enterprise income tax	6,976	7,858
Deferred tax	151	(789)
	<u>7,127</u>	<u>7,069</u>

No provision for Hong Kong profits tax has been made since the Group did not have any assessable profit arising in Hong Kong for both periods. In addition, no tax provision for Italian profits had been made for the six months ended 30 June 2012 as the Italian operations of the Group did not have any assessable profits.

Enterprise income tax ("EIT") is provided for enterprises in the PRC at a range from 15% to 25% (2012: range from 12.5% to 15%). In 2011, Hangzhou Good Friend Precision Machinery Co., Ltd. ("Hangzhou Good Friend") renewed its New and High – Tech Enterprise status, which has been approved by the relevant government authorities, and it is entitled to a reduced tax rate of 15% for a three-year period commencing 2011. Accordingly, the applicable tax rate for Hangzhou Good Friend for the six months ended 30 June 2013 is 15% (2012: 15%).

10 EARNINGS PER SHARE

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

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

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

11 DIVIDENDS

	Six months ended 30 June	
	<i>(RMB'000)</i>	
	2013	2012
	(Unaudited)	(Unaudited)
Interim dividend of RMB0.05 (2012: RMB0.05) per share	20,160	20,160

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

12 PROPERTY, PLANT AND EQUIPMENT

	<i>RMB'000</i> (Unaudited)
Six months ended 30 June 2012	
Opening net book amount as at 1 January 2012	288,677
Additions	15,248
Disposals	(484)
Transfer from investment properties	144
Depreciation	<u>(13,192)</u>
Closing net book amount as at 30 June 2012	<u><u>290,393</u></u>
Six months ended 30 June 2013	
Opening net book amount as at 1 January 2013	278,454
Additions	2,192
Disposals	(5,412)
Depreciation	<u>(13,721)</u>
Closing net book amount as at 30 June 2013	<u><u>261,513</u></u>

13 INVESTMENT PROPERTIES

	2013 <i>RMB'000</i> (Unaudited)	2012 <i>RMB'000</i> (Unaudited)
Opening net book amount as at 1 January	1,343	1,442
Transfer to property, plant and equipment	-	(144)
Depreciation	<u>(50)</u>	<u>(45)</u>
Closing net book amount as at 30 June	<u><u>1,293</u></u>	<u><u>1,253</u></u>

14 INTANGIBLE ASSETS

	<i>RMB'000</i>
	(Unaudited)
Six months ended 30 June 2012	
Opening net book amount as at 1 January 2012	14,779
Additions	788
Amortisation	(1,033)
Closing net book amount as at 30 June 2012	<u>14,534</u>
Six months ended 30 June 2013	
Opening net book amount as at 1 January 2013	1,406
Additions	208
Amortisation	(324)
Closing net book amount as at 30 June 2013	<u><u>1,290</u></u>

15 INVESTMENT IN JOINTLY CONTROLLED ENTITIES

In March 2013, the Company contributed approximately USD550,000 (equivalent to RMB3,458,000) paid-in capital into a new jointly controlled entity in China, namely Hangzhou Union Friend Machinery Co., Ltd. (“UFM”). UFM is established by four parties, including the Company, Takamatsu Machinery Co., Ltd., Yamasan Tekko Co., Ltd. and Sumizawa Tekko Co., Ltd. which are all third party companies. Equity interests held by each company as of 30 June 2013 were 55%, 15%, 15% and 15%, respectively.

According to the articles of association of UFM, the decision of the meeting of the board of directors will be valid on the condition that more than half of the votes are cast in favour of the resolution. There are two representations of the Company in the board of UFM which consists of four directors. Accordingly, the Group accounts for the investment in UFM as a jointly controlled entity and adopts equity method to account for its interests.

16 DISPOSAL OF A SUBSIDIARY AND AN ASSOCIATE

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

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

Details of the loss in the transaction are as follows:

		<i>RMB'000</i>
		(Unaudited)
Carrying amount of net assets of Rambaudi being disposed of as at 1 January 2013	(a)	28,431
Carrying amount of investment in Jobs being disposed of as at 1 January 2013		<u>13,571</u>
		42,002
Fair value of investment in FFG Europe as at 1 January 2013 (note 17)		<u>32,260</u>
Loss in the transaction		<u><u>9,742</u></u>

16 DISPOSAL OF A SUBSIDIARY AND AN ASSOCIATE (Continued)

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

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

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

	<i>RMB'000</i> (Unaudited)
Cash consideration received	-
Less: Cash and cash equivalents held by Rambaudi	(2,277)
	<hr/>
Net cash and cash equivalents disposed of	(2,277)
	<hr/> <hr/>

17 INVESTMENT IN AN ASSOCIATE

The formation of FFG Europe was completed on 1 January 2013, and it is owned approximately as to 30.16% by Sky Thrive, 15.05% by Golden Friendship, 14.79% by World Ten and 40% by Alma S.r.l upon completion (note 16).

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 <i>RMB'000</i> (Unaudited)
Beginning of the period	–
Additions	32,260
Share of loss	(8,940)
End of the period	<u>23,320</u>

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

	Six months ended 30 June <i>RMB'000</i> (Unaudited)
Assets	221,417
Liabilities	208,468
Revenues	65,942
Share of loss	(8,940)
Percentage held	<u>30.16%</u>

18 LAND USE RIGHTS

The amounts represent prepaid operating lease rentals relating to land use rights in the PRC with land grant period ranging from 10 to 50 years. The movement of the balance is analysed as follows:

	2013 <i>RMB'000</i> (Unaudited)	2012 <i>RMB'000</i> (Unaudited)
Opening net book amount as at 1 January	39,424	40,367
Amortisation	<u>(471)</u>	<u>(471)</u>
Closing net book amount as at 30 June	<u>38,953</u>	<u>39,896</u>

19 DEBTORS, DEPOSITS AND PREPAYMENTS

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

19 DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

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

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

20 SHARE CAPITAL

	Number of shares '000	Nominal value <i>RMB'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 June 2013 and 31 December 2012	<u>1,000,000</u>	<u>10,211</u>
Issued and fully paid:		
At 1 January 2013 and 30 June 2013	<u>403,200</u>	<u>4,022</u>

21 DEFERRED INCOME TAX ASSETS AND LIABILITIES

	2013 <i>RMB'000</i> (Unaudited)	2012 <i>RMB'000</i> (Unaudited)
Deferred income tax assets		
Opening balance at 1 January	4,541	4,534
Charged to consolidated statement of comprehensive income	<u>(151)</u>	<u>(288)</u>
Closing balance at 30 June	<u><u>4,390</u></u>	<u><u>4,246</u></u>
Deferred income tax liabilities		
Opening balance at 1 January	23,180	21,800
Disposal of a subsidiary	(4,405)	-
Charged to consolidated statement of comprehensive income	<u>-</u>	<u>(1,077)</u>
Closing balance at 30 June	<u><u>18,775</u></u>	<u><u>20,723</u></u>

22 BORROWINGS

	As at	
	30 June 2013 <i>RMB'000</i> (Unaudited)	31 December 2012 <i>RMB'000</i> (Audited)
Within one year	<u>344,538</u>	<u>372,823</u>

Movements of borrowings are analysed as follows:

	<i>RMB'000</i> (Unaudited)
Six months ended 30 June 2013	
Opening amount as at 1 January 2013	372,823
New borrowings drawn down	711,998
Repayments of borrowings	<u>(740,283)</u>
Closing amount as at 30 June 2013	<u>344,538</u>

The borrowings bear interest at market rates ranging from 1.80% to 6.72% per annum (30 June 2012: 1.70% to 7.87% per annum).

The Group has pledged its land use rights with carrying amount of approximately RMB5,459,744 (31 December 2012: RMB5,525,526) as at 30 June 2013 in order to secure the general banking facilities granted by certain banks to it. As at 30 June 2013, the Group has not utilised such secured bank facilities (31 December 2012: None).

23 CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES

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

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

24 CAPITAL COMMITMENTS

	As at	
	30 June 2013 <i>RMB'000</i> (Unaudited)	31 December 2012 <i>RMB'000</i> (Audited)
Capital expenditure contracted for but not provided in respect of – acquisition of property, plant and equipment	<u>1,634</u>	<u>2,395</u>

25 RELATED-PARTY TRANSACTIONS

(a) Transaction and balances

During the period and as at the balance sheet date, the Group had the following transactions and balances with its related parties:

Transactions:

Name of company	Relationship	Nature of transactions	Six months ended 30 June	
			2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Fair Friend Enterprise Company Limited ("Taiwan FF")	Ultimate holding company	Sales of goods	678	468
		Purchases of goods	4,172	15,496
Good Friend (H.K.) Corporation Limited ("Hong Kong GF")	Immediate holding company	Purchases of goods	55,524	46,099
Hangzhou Feeler Takamatsu Machinery Co., Ltd. ("Feeler Takamatsu")	Associate of ultimate holding company	Sales of goods	75	31
		Purchases of goods	-	17
Hangzhou Fair Fine Electric & Machinery Co., Ltd. ("Fair Fine")	Fellow subsidiary	Sales of goods	1,410	115
Anest Iwata Feeler Corporation ("Anest Iwata Feeler")	Jointly controlled entity	Sales of goods	290	5,934
		Purchases of goods	31	87
Hangzhou Best Friend Technology Co., Ltd. ("Best Friend")	Associate of ultimate holding company	Sales of goods	10	27
Sanco Machine & Tools Corporation ("SANCO")	Fellow subsidiary	Purchases of goods	10,477	27,449
SIGMA technology S.r.l	Subsidiary of an associate of the Group	Purchases of goods	2,637	-
Hangzhou Feeler Mectron Machinery Co., Ltd.	Joint controlled entity	Sales of goods	26	-
		Purchases of goods	276	-

The terms of the above transactions are governed based on framework agreements entered into between the Company and the respective related parties.

25 RELATED-PARTY TRANSACTIONS (Continued)

(a) Transaction and balances (Continued)

Balances

Name of company	Relationship	Nature of balances	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Taiwan FF	Ultimate holding company	Trade receivable (note (a))	556	-
		Trade payable (note (b))	(379)	(5,898)
Fair Fine	Fellow subsidiary	Trade receivable (note (a))	115	17
Best Friend	Associate of ultimate holding company	Trade receivable (note (a))	7	1
SANCO	Fellow subsidiary	Trade receivable and prepayment (note (a))	1,430	2,356
		Trade payable (note (b))	(1,104)	(1,911)
Feeler Takamatsu	Associate of ultimate holding company	Trade receivable (note (a))	72	-
Hong Kong GF	Immediate holding company	Trade payable (note (b))	(5,791)	(1,980)
Anest Iwata Feeler	Jointly controlled entity	Trade receivable (note (a))	152	315
Hangzhou Feeler Mectron Machinery Co., Ltd.	Joint controlled entity	Trade receivable (note (a))	22	-
Jobs	Subsidiary of an associate of the Group (formerly an associate of the Group as at 31 December 2012)	Trade receivable (note (a))	604	411
		Trade payable (note (b))	-	(521)
SIGMA	Subsidiary of an associate of the Group	Trade receivable (note (a))	2,458	-
		Trade payable (note (b))	(284)	-
Rambaudi	Subsidiary of an associate of the Group	Trade receivable (note (a))	9,964	-
		Trade payable (note (b))	(2,912)	-

25 RELATED-PARTY TRANSACTIONS (Continued)

(a) Transaction and balances (Continued)

Balances (Continued)

(a) The Group allows a normal credit period of 90 days for sales made to the fellow subsidiary and the ultimate holding company and its associates. Balances are unsecured and interest free. As of 30 June 2013 and 31 December 2012, the ageing of above balances was mostly within 6 to 12 months.

(b) Balances are unsecured, interest free and repayable on demand.

(b) Compensation of key management personnel

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Salaries and other allowances	<u>1,854</u>	<u>1,745</u>

26 HOLDING COMPANIES

The directors regard Good Friend (H.K.) Corporation Limited, a company incorporated in Hong Kong, and Fair Friend Enterprise Company Limited, a company incorporated in Taiwan, as being the immediate holding company and the ultimate holding company respectively.

27 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There are no significant subsequent events occurred after 30 June 2013 and up to the date of approval of these financial statements.