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 2014

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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

AUDITOR

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
Level 22, Hopewell Centre
183 Queen's Road East
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

STOCK CODE

2398

WEBSITE

http://www.goodfriend.hk

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the first half of 2014, sales volume of CNC machine tools, parking garage structures and forklift trucks amounted to 1,103 units, 4,300 units and 1,106 units respectively (2013 comparative figures: 1,056 units, 5,194 units and 1,132 units). Approximately 80% of the Group's revenue was generated from the mainstream product CNC machine tools. CNC machine tools focus mainly on China market, with the major customers of the product being those automobile parts and mechanical manufacturers. During the first half of 2014, global economy rose steadily whilst the economic growth of China was stable in general during the period. During the first half of 2014, the Gross Domestic Product (GDP) of China increased by 7.4% year-on-year and in the second quarter increased by 7.5%. For the six months ended 30 June 2014, sales volume and sales revenue of CNC machine tools amounted to 1,103 units and approximately RMB546.83 million respectively, both representing an increase when compared to corresponding period in 2013. Moreover, the gross profit margin of CNC machine tools business increased to approximately 28.8% during the period under review. This was mainly attributable to the decrease of the raw material prices.

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

Financial Review

Revenue

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

Gross profit and margin

During the period under review, gross profit of the Group amounted to approximately RMB170.65 million. Overall gross profit margin was approximately 25.1%, compared to 22.0% for the corresponding period in last year. The gross profit margin of CNC machine tools (the Group's major product) during the period under review increased as compared to last year. As a result, the overall gross profit margin for the period under review increased.

Distribution and selling expenses

Distribution and selling expenses for the six months ended 30 June 2014 amounted to approximately RMB66.28 million, representing a decrease of 12.2% as compared to corresponding period in last year. This was mainly attributable to the stringent control of the corresponding expenses by the management. During the period under review, distribution and selling expenses as a percentage of the Group's revenue was approximately 9.7%, compared to 11.3% for the corresponding period in last year.

Administrative expenses

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

Share of loss of an associate

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

Profit attributable to the equity holders of the Company

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

Strategic Acquisition

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

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

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

Prospects

Under the challenging operating environment during the first half of 2014, the overall sales of the Group recorded steady growth. Looking ahead to the second half of 2014, it is expected that the global economy will gradually be strengthened whilst a stable growth in the economy of China is also anticipated. China is the largest machine tools consuming country. The formulation of the 12th Five Year Plan (2011-2015) by the central government of China would stimulate the demand of machine tools from the industries of high-speed railway, aerospace, motor vehicle and energy especially demand of those hi-tech CNC machine tools. This in turn will benefit the Group's CNC machine tools business. The management believes that with its extensive sales network and comprehensive after-sales service, solid business foundation as well as outstanding product quality, the Group is capable of meeting customers' different needs and continue to strengthen its market position.

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

The management will also strive to control operating costs for achieving better operational efficiency and will soldier on to bring favorable returns to the shareholders of the Company.

Liquidity and financial resources

The working capital of the Group was mainly financed by internal cash flows generated from its operation and its existing banking facilities. As at 30 June 2014, the Group's cash and cash equivalents amounted to approximately RMB272.61 million (at 31 December 2013: RMB235.83 million). As at 30 June 2014, the Group had net current assets of approximately RMB418.53 million (at 31 December 2013: RMB361.66 million) and short-term bank borrowings of approximately RMB392.77 million (at 31 December 2013: RMB367.75 million). The current ratio (total current assets to total current liabilities) of the Group as at 30 June 2014 was approximately 1.5 (at 31 December 2013: 1.4). The gearing ratio as at 30 June 2014 (total interest bearing liabilities to total assets) was approximately 24.4% (at 31 December 2013: 23.2%), indicated that the Group's overall financial position remained strong.

Capital structure

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

Staff and remuneration policies

As at 30 June 2014, the Group employed a total of approximately 1,440 full time employees (31 December 2013: 1,400) in Hong Kong and the PRC. The Group's emolument policies are formulated on the basis of market trends, future plans and the performance of individuals, which will be reviewed periodically. Apart from provident fund scheme and state-managed social welfare scheme, share options (if any) will also be awarded to employees according to assessment of individuals' performance.

Capital commitments and contingencies

The Group had capital expenditure commitments mainly for property, plant and equipment of approximately RMB0.98 million (at 31 December 2013: RMB0.98 million) which were contracted but not provided in the financial statements. The Group had no material contingent liabilities as at 30 June 2014 (at 31 December 2013: Nil).

Charges on the group's assets

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

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

DISCLOSURE OF INTERESTS

Directors' interest in shares

As at 30 June 2014, 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 corporation

(a) Interests in the Company

	Number of Shares held as			
Name of Director	**Beneficial owner**	**Interest in controlled corporation**	**Total**	**Approximate percentage of the issued share capital as at 30 June 2014**
Mr. Chu Chih-Yaung ("Mr. Chu")	–	20,000,000 *(Note)*	20,000,000	4.96%

Note: These 20,000,000 Shares were held by Sunward Gold Global Investments Limited ("Sunward"), Mr. Chu held 72.22% of the issued share capital of Sunward and accordingly was deemed to be interested in the 20,000,000 shares held by Sunward under the SFO.

(b) Interests in the associated corporations of the Company

Name of Directors	Name of associated corporation	Nature of interest	Number and class of securities	Approximate percentage of the issued share capital as at 30 June 2014
Mr. Chu	友嘉實業股份有限公司 (Fair Friend Enterprise Company Limited) ("Taiwan FF")	Beneficial owner	24,243,347 ordinary shares	15.40%
Mr. Chu *(Note 1)*	Taiwan FF	Spouse interest	4,281,925 ordinary shares	2.72%
Mr. Chen Hsiang-Jung	Taiwan FF	Beneficial owner	2,994,841 ordinary shares	1.90%
Mr. Chu	友迦工業股份有限公司 (Fairskq (Taiwan) Co., Ltd.) *(Note 3)*	Beneficial owner	21,988 ordinary shares	0.22%
Mr. Chu *(Note 2)*	友迦工業股份有限公司 (Fairskq (Taiwan) Co., Ltd.) *(Note 3)*	Spouse interest	21,988 ordinary shares	0.22%
Mr. Chu	佑泰興實業股份有限公司 (Yu Thai Xin Ent. Co., Ltd.) *(Note 3)*	Beneficial owner	1,000 ordinary shares	0.01%
Mr. Chu *(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 ordinary shares	0.01%
Mr. Chu *(Note 5)*	友嘉國際股份有限公司 (Decaview Asia Corporation) *(Note 3)*	Spouse interest	14,700 ordinary 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 ordinary shares	0.12%

Name of Directors	Name of associated corporation	Nature of interest	Number and class of securities	Approximate percentage of the issued share capital as at 30 June 2014
Mr. Chu	Fair Fine (Hongzhou) Industrial Co., Ltd. *(Note 3)*	Beneficial owner	750 ordinary shares	0.03%
Mr. Chen Hsiang-Jung	Fair Fine (Hongzhou) Industrial Co., Ltd. *(Note 3)*	Beneficial owner	750 ordinary shares	0.03%

Notes:

1. Ms. Wang Tz-Ti (formerly known as Wang Jin-Zu) ("Ms. Wang"), the spouse of Mr. Chu, held 2.72% 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 Fairskq (Taiwan) Co., Ltd.. Mr. Chu was deemed to be interested in all the shares held by Ms. Wang in Fairskq (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 2014, none of the Directors or chief executive of the Company had any interest of long position 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 2014, none of the Directors or chief executive of the Company, had any interest of 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 2013 annual report of the Company.

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

Substantial shareholders

As at 30 June 2014, 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 issued share capital as at 30 June 2014
Good Friend (H.K.) Corporation Limited ("Hong Kong GF")	Beneficial owner	232,000,000 shares *(Note)*	57.54%
Taiwan FF	Interest of controlled corporation	232,000,000 shares *(Note)*	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 2014.

OTHER INFORMATION

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

The Company is not aware of change of information of directors of the Company since the 2013 Annual Report 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 RMB0.06 (equivalent to approximately HK$0.0754 according to the average middle rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on 29 August 2014) per share for the six months ended 30 June 2014 (2013: RMB0.05), in aggregate amounting to approximately RMB24.19 million (equivalent to approximately HK$30.40 million) (2013: RMB20.16 million).

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

Purchase, redemption or sale of listed securities of the Company

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2014.

Model code for securities transactions by directors

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

Corporate governance

The Company has complied with the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2014 except the following.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board, Mr. Chu Chih-Yaung was unable to attend the annual general meeting of the Company held on 13 June 2014 due to business trip. Mr. Chiu Rung-Hsien as executive Director of the Company took the chair of the annual general meeting pursuant to the Articles of the Association of the Company.

Audit committee

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code which comprises three independent non-executive Directors, namely Mr. Koo Fook Sun, Louis (as chairman), Mr. Chiang Chun-Te and Mr. Yu Yu-Tang. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee has reviewed the unaudited financial information of the Group for the six months ended 30 June 2014. The Company's external auditor, PricewaterhouseCoopers, has conducted a review of the interim financial information of the Group for the six months ended 30 June 2014 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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 2014

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF
GOOD FRIEND INTERNATIONAL HOLDINGS INC.
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 16 to 40, 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 2014 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 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 2014

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
	Note	**2014** *RMB'000*	2013 *RMB'000*
Revenue	6	**681,056**	666,521
Cost of revenue		**(510,411)**	(519,578)
Gross profit		**170,645**	146,943
Other income	7	**14,970**	16,879
Distribution and selling expenses		**(66,281)**	(75,511)
Administrative expenses		**(48,979)**	(40,552)
Other expenses		**(1,122)**	(1,240)
Operating profit	8	**69,233**	46,519
Finance costs		**(4,757)**	(4,250)
Share of loss of joint ventures	15	**(1,813)**	(1,676)
Share of loss of an associate	16	**(6,992)**	(8,940)
Loss on disposal of companies		**–**	(9,742)
Profit before taxation		**55,671**	21,911
Income tax expense	9	**(9,900)**	(7,127)
Profit attributable to equity holders of the Company		**45,771**	14,784
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Currency translation difference		**(3,403)**	6,482
Total comprehensive income attributable to equity holders of the Company		**42,368**	21,266
Earnings per share for profit attributable to the equity holders of the Company			
– basic and diluted	10	**0.11**	0.04

The notes on page 21 to 40 form an integral part of this condensed consolidated interim financial information.

		RMB'000	*RMB'000*
Dividends	11	**24,192**	20,160

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2014 *RMB'000*	Audited 31 December 2013 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	12	**245,659**	256,100
Investment properties	13	**239**	249
Intangible assets	14	**1,512**	1,458
Investments in joint ventures	15	**19,001**	17,576
Investment in an associate	16	**2,774**	9,604
Available-for-sale financial asset	17	**571**	571
Deferred income tax assets	21	**5,054**	4,520
Deposits for purchases of plant and equipment		**1,560**	1,560
Land use rights	18	**38,010**	38,481
Total non-current assets		**314,380**	330,119
Current assets			
Inventories		**271,843**	279,016
Debtors, deposits and prepayments	19	**571,680**	622,553
Amount due from an investee	17	**13,988**	13,988
Amounts due from customers for contract work		**34,763**	24,651
Amount due from ultimate holding company	25	**320**	1,912
Amounts due from and prepayment to fellow subsidiaries and an associate of ultimate holding company	25	**479**	1,786
Amounts due from joint ventures	25	**1,671**	1,498
Amount due from subsidiaries of an associate of the Group	25	**12,368**	12,495
Restricted bank deposits		**116,759**	60,167
Cash and cash equivalents		**272,614**	235,829
Total current assets		**1,296,485**	1,253,895
Total assets		**1,610,865**	1,584,014

	Note	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	20	**4,022**	4,022
Reserves		**212,548**	215,951
Retained earnings		**498,798**	453,027
Total equity		**715,368**	673,000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	21	**17,539**	18,775
Current liabilities			
Creditors, other payables and accrued charges	23	**393,862**	449,133
Amounts due to customers for contract work		**62,043**	49,959
Amount due to an ultimate holding company	25	**2,949**	1,029
Amount due to an immediate holding company	25	**3,618**	2,156
Amount due to a fellow subsidiary	25	**1,420**	321
Amount due to subsidiaries of an associate of the Group	25	**293**	293
Amount due to joint ventures	25	**444**	131
Current income tax liabilities		**14,290**	14,691
Warranty provision		**6,268**	6,774
Borrowings	22	**392,771**	367,752
Total current liabilities		**877,958**	892,239
Total liabilities		**895,497**	911,014
Total equity and liabilities		**1,610,865**	1,584,014
Net current assets		**418,527**	361,656
Total assets less current liabilities		**732,907**	691,775

The notes on page 21 to 40 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserves *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
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

	Unaudited					
	Share capital ***RMB'000***	**Share premium** ***RMB'000***	**Capital reserves** ***RMB'000***	**Other reserves** ***RMB'000***	**Retained earnings** ***RMB'000***	**Total equity** ***RMB'000***
Balance at 1 January 2014	**4,022**	**82,281**	**77,338**	**56,332**	**453,027**	**673,000**
Comprehensive income:						
Profit for the period	**–**	**–**	**–**	**–**	**45,771**	**45,771**
Other comprehensive income:						
Currency translation difference	**–**	**–**	**–**	**(3,403)**	**–**	**(3,403)**
Total comprehensive income for the period ended 30 June 2014	**–**	**–**	**–**	**(3,403)**	**45,771**	**42,368**
Balance at 30 June 2014	**4,022**	**82,281**	**77,338**	**52,929**	**498,798**	**715,368**

The notes on page 21 to 40 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		Unaudited	
		Six months ended 30 June	
	Note	**2014**	2013
		RMB'000	*RMB'000*
Cash flows from operating activities			
Cash generated from operations		**92,398**	145,804
– income tax paid		**(11,017)**	(6,098)
Net cash generated from operating activities		**81,381**	139,706
Cash flows from investing activities			
– investment in a joint venture	15	**(3,238)**	(3,458)
– acquisition of property, plant and equipment and intangible assets		**(5,241)**	(6,158)
– proceeds from disposal of property, plant and equipment		**213**	132
– (increase)/decrease in restricted bank deposit		**(56,592)**	1,707
– net cash paid from disposal of a subsidiary		**–**	(2,277)
Net cash used in investing activities		**(64,858)**	(10,054)
Cash flows from financing activities			
– proceeds from new borrowings		**124,750**	711,998
– repayments of borrowings		**(99,731)**	(740,283)
– dividends paid to equity holders		**–**	(20,160)
– interest paid		**(4,757)**	(4,255)
Net cash generated/(used in) from financing activities		**20,262**	(52,700)
Net increase in cash and cash equivalents		**36,785**	76,952
Cash and cash equivalents at the beginning of the period		**235,829**	111,824
Cash and cash equivalents at end of the period		**272,614**	188,776

The notes on page 21 to 40 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 KY1-1111, Cayman Islands.

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

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

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICY

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

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

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

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

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

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

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

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

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

4 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.

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 2013.

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 2013.

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 outflows for financial liabilities.

5.3 Fair value estimation

As at 30 June 2014 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 2014	**Machine Tools** *RMB'000* **(Unaudited)**	**Parking Garage Structures** *RMB'000* **(Unaudited)**	**Forklift Trucks** *RMB'000* **(Unaudited)**	**Total Group** *RMB'000* **(Unaudited)**
Revenue (all from external sales)	**546,826**	**65,607**	**68,623**	**681,056**
Cost of Sales	**389,569**	**59,681**	**61,161**	**510,411**
Segment profit	**157,257**	**5,926**	**7,462**	**170,645**

Six months ended 30 June 2013	Machine Tools *RMB'000* (Unaudited)	Parking Garage Structures *RMB'000* (Unaudited)	Forklift Trucks *RMB'000* (Unaudited)	Total Group *RMB'000* (Unaudited)
Revenue (all from external sales)	512,009	81,926	72,586	666,521
Cost of Sales	(382,056)	(72,315)	(65,207)	(519,578)
Segment profit	129,953	9,611	7,379	146,943

7 OTHER INCOME

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

8 OPERATING PROFIT

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

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

9 INCOME TAX EXPENSE

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

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

Enterprise income tax ("EIT") is provided at 25% for enterprises in the PRC except for Hangzhou Good Friend Precision Machinery Co., Ltd. ("Hangzhou Good Friend"). In 2014, Hangzhou Good Friend renewed its New and High-Tech Enterprise status, which has been approved by the relevant government authorities, and it is entitled to a reduced tax rate of 15% for a three-year period commencing 2014. Accordingly, the applicable tax rate for Hangzhou Good Friend for the six months ended 30 June 2014 is 15% (2013: 15%).

10 EARNINGS PER SHARE

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

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB45,771,000 (six months period ended 30 June 2013: RMB14,784,000) and 403,200,000 (2013: 403,200,000) ordinary shares in issue.

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

11 DIVIDENDS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interim dividend of RMB0.06 (2013: RMB0.05) per share	**24,192**	20,160

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

12 PROPERTY, PLANT AND EQUIPMENT

	RMB'000
	(Unaudited)
Six months ended 30 June 2013	
Opening net book amount as at 1 January 2013	278,454
Additions	2,192
Disposals	(5,412)
Depreciation	(13,721)
Closing net book amount as at 30 June 2013	261,513
Six months ended 30 June 2014	
Opening net book amount as at 1 January 2014	256,100
Additions	4,085
Disposals	(487)
Depreciation	(14,039)
Closing net book amount as at 30 June 2014	245,659

13 INVESTMENT PROPERTIES

	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Opening net book amount as at 1 January	**249**	1,343
Depreciation	**(10)**	(50)
Closing net book amount as at 30 June	**239**	1,293

14 INTANGIBLE ASSETS

	RMB'000
	(Unaudited)
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	1,290
Six months ended 30 June 2014	
Opening net book amount as at 1 January 2014	1,458
Additions	414
Amortisation	(360)
Closing net book amount as at 30 June 2014	1,512

15 INVESTMENT IN JOINT VENTURES

	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
As at 1 January	**17,576**	18,093
Capital injection *(Note (a))*	**3,238**	3,458
Share of loss of joint ventures	**(1,813)**	(1,676)
As at 30 June	**19,001**	19,875

15 INVESTMENT IN JOINT VENTURES (Continued)

Note (a):

In January, July 2010 and March 2011 and May 2014, the Company contributed approximately USD630,000 (equivalent to RMB4,301,000), USD525,000 (equivalent to RMB3,560,000), USD683,000 (equivalent to RMB4,487,000) and USD525,000 (equivalent to RMB3,238,000) paid-in capital, respectively, into a joint venture in China, namely Anest Iwata Feeler Corporation ("AIF"). AIF was established in 2009 by three parties, including the Company, Anest Iwata Corporation ("AIC") which is a third party company, and a joint venture of the Company's ultimate holding company known as Anest Iwata Taiwan ("AIT"). Equity interests held by the Company, AIC and AIT in AIF as of 30 June 2013 and 30 June 2014 were 35%, 35% and 30%, respectively. The Group adopted equity method to account for its interests in AIF.

In March 2013, the Company contributed approximately USD550,000 (equivalent to RMB3,458,000) paid-in capital into a jointly venture 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 and 30 June 2014 were 55%, 15%, 15% and 15%, respectively. The Group adopted equity method to account for its interests in UFM.

16 INVESTMENT IN AN ASSOCIATE

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

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

	Six months ended 30 June *RMB'000* (Unaudited)
Beginning of the period	9,604
Share of loss	(6,992)
Share of other comprehensive income	162
End of the period	2,774

16 INVESTMENT IN AN ASSOCIATE (Continued)

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

	Six months ended 30 June *RMB'000* (Unaudited)
Assets	722,304
Liabilities	713,107
Revenue	127,534
Share of loss	(6,992)
Percentage held	30.16%

17 AVAILABLE-FOR-SALE FINANCIAL ASSET

	As at	
	30 June 2014 ***RMB'000*** **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Investment in shares of an unlisted company	**571**	571

As at 30 June 2014, available-for-sale financial asset includes the following:

Name	Country of incorporation	Principal activities	Particulars of issued shares held	Interest held
FFG Werke GmbH	Germany	Manufacturing and distribution of machine tools, spare parts and accessories; providing training and maintenance service for machine tools and products.	67,500	13.5%

17 AVAILABLE-FOR-SALE FINANCIAL ASSET (Continued)

On 17 October 2013, FFG Werke GmbH ("FFG Werke") was incorporated in Germany with the initial capital of Euro 30,000 divided into 30,000 ordinary shares, which were contributed by the shareholders of FFG Werke as to 10.00% by FFG Europe, 33.75% by World Ten, 33.75% by Golden Friendship, 13.50% by Sky Thrive and 9.00% by Golden Wealth Inc Limited (an independent third party).

On 20 December 2013, all shareholders of FFG Werke agreed to provide further equity contribution in proportion to their respective shareholding interests in FFG Werke and provide shareholders' loans for FFG Werke's future operations and acquisition of the industrial equipment business of MAG IAS GmbH, an independent company incorporated in Germany. Accordingly, Sky Thrive provided further equity contribution of Euro 63,450 (equivalent to RMB537,000) and shareholder's loan of Euro 1,654,050 (equivalent RMB13,988,000), respectively, in December 2013. The shareholder's loan is unsecured, interest-free and repayable on demand. The increase in share capital of FFG Werke was notarized and completed on 27 January 2014.

Management considers that the Group has no significant influence or control on FFG Werke and hence the investment has been accounted for as an available-for-sale financial asset as at 30 June 2014 (31 December 2013: Same).

As at 30 June 2014, the unlisted equity investment in FFG Werke with a carrying amount of RMB571,000 (31 December 2013: RMB571,000) was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. The Group does not tend to dispose of it in the near future.

On 9 July 2014, FFG Werke and Sky Thrive entered into the guarantee procurement deed, pursuant to which Sky Thrive agreed to procure the issuance of the bank guarantees for the business operation of FFG Werke based on its shareholding in FFG Werke. The maximum aggregate amount of all Bank Guarantees to be issued under the guarantee procurement deed shall not exceed Euro10,600,000 (approximately RMB88,980,000).

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:

	2014 ***RMB'000*** **(Unaudited)**	2013 *RMB'000* (Unaudited)
Opening net book amount as at 1 January	**38,481**	39,424
Amortisation	**(471)**	(471)
Closing net book amount as at 30 June	**38,010**	38,953

19 DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

20 SHARE CAPITAL

	Number of shares	**Nominal value**
	'000	*RMB'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 30 June 2014 and 31 December 2013	1,000,000	10,211
Issued and fully paid:		
At 1 January 2014 and 30 June 2014	403,200	4,022

21 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets	**2014** ***RMB'000*** **(Unaudited)**	2013 *RMB'000* (Unaudited)
Opening balance at 1 January	**4,520**	4,541
Credited to consolidated statement of comprehensive income	**534**	(151)
Closing balance at 30 June	**5,054**	4,390

Deferred income tax liabilities	**2014** ***RMB'000*** **(Unaudited)**	2013 *RMB'000* (Unaudited)
Opening balance at 1 January	**18,775**	23,180
Disposal of a subsidiary	**–**	(4,405)
Credited to consolidated statement of comprehensive income	**(1,236)**	–
Closing balance at 30 June	**17,539**	18,775

22 BORROWINGS

	As at	
	30 June 2014 ***RMB'000*** **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Within one year	**392,771**	367,752

22 BORROWINGS (Continued)

Movements of borrowings are analysed as follows:

	RMB'000 (Unaudited)
Six months ended 30 June 2014	
Opening amount as at 1 January 2014	367,752
New borrowings drawn down	124,750
Repayments of borrowings	(99,731)
Closing amount as at 30 June 2014	392,771

The borrowings bear interest at market rates ranging from 1.87% to 6.72% per annum (30 June 2013: 1.80% to 6.72% per annum).

The Group has pledged its land use rights with carrying amount of approximately RMB5,328,000 as at 30 June 2014 (31 December 2013: RMB5,460,000) in order to secure the general banking facilities granted by certain banks to it. As at 30 June 2014, the Group has not utilised such secured bank facilities (31 December 2013: Nil).

23 CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES

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

23 CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES (Continued)

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

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

24 CAPITAL COMMITMENTS

	As at	
	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in respect of – acquisition of property, plant and equipment	**984**	984

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 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Fair Friend Enterprise Company Limited ("Fair Friend")	Ultimate holding company	Sales of goods	**586**	678
		Purchases of goods	**13,073**	4,172
Good Friend (H.K.) Corporation Limited ("Hong Kong GF")	Immediate holding company	Purchases of goods	**26,867**	55,524
Hangzhou Feeler Takamatsu Machinery Co., Ltd. ("Feeler Takamatsu")	Associate of ultimate holding company	Sales of goods	**86**	75
Hangzhou Fair Fine Electric & Machinery Co., Ltd. ("Fair Fine")	Fellow subsidiary	Sales of goods	**1**	1,410
AIF	Joint venture	Sales of goods	**523**	290
		Purchases of goods	**283**	31
Hangzhou Best Friend Technology Co., Ltd. ("Best Friend")	Associate of ultimate holding company	Sales of goods	**1**	10

25 RELATED-PARTY TRANSACTIONS (Continued)

(a) Transaction and balances (Continued)

Transactions (Continued)

Name of company	Relationship	Nature of transactions	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Sanco Machine & Tools Corporation ("SANCO")	Fellow subsidiary	Purchases of goods	**15,058**	10,477
SIGMA technology S.r.l ("SIGMA")	Subsidiary of an associate of the Group	Purchases of goods	**–**	2,637
Sky Thrive Rambaudi S.r.l. ("Sky Thrive Rambaudi")	Subsidiary of an associate of the Group	Purchase of goods	**198**	–
Hangzhou Feeler Mectron Machinery Co., Ltd.	Joint venture	Sales of goods	**506**	26
		Purchases of goods	**258**	276
Hangzhou Union Friend Machinery Co., Ltd	Joint venture	Sales of goods	**9**	–
		Purchase of goods	**24**	–
Hangzhou Nippon Cable Feeler Corporation	Joint venture	Purchase of goods	**20**	–

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 2014** ***RMB'000*** **(Unaudited)**	31 December 2013 RMB'000 (Audited)
Fair Friend	Ultimate holding company	Trade receivable *(note (a))*	**320**	1,912
		Trade payable *(note (b))*	**(2,949)**	(1,029)
Fair Fine	Fellow subsidiary	Trade receivable *(note (a))*	**257**	152
SANCO	Fellow subsidiary	Trade receivable and prepayment *(note (a))*	**190**	1,616
		Trade payable *(note (b))*	**(1,420)**	(321)
Feeler Takamatsu	Associate of ultimate holding company	Trade receivable *(note (a))*	**32**	18
Hong Kong GF	Immediate holding company	Trade payable *(note (b))*	**(3,618)**	(2,156)
AIF	Joint venture	Trade receivable *(note (a))*	**762**	1,093
		Trade payable *(note (b))*	**(326)**	(41)
Hangzhou Feeler Mectron Machinery Co., Ltd.	Joint venture	Trade receivable *(note (a))*	**909**	405
		Trade payable *(note (b))*	**(90)**	(90)
Hangzhou Union Friend Machinery Co. Ltd	Joint venture	Trade payable *(note (b))*	**(28)**	–
Jobs Automazione S.p.A	Subsidiary of an associate of the Group	Trade receivable *(note (a))*	**560**	330
SIGMA	Subsidiary of an associate of the Group	Trade receivable *(note (a))*	**2,562**	2,569
		Trade payable *(note (b))*	**(226)**	(226)
SIGMA Machinery Co., Ltd	Subsidiary of an associate of the Group	Trade payable *(note (b))*	**(67)**	(67)
Sky Thrive Rambaudi	Subsidiary of an associate of the Group	Trade receivable *(note (a))*	**9,246**	9,596

(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 2014 and 31 December 2013, the ageing of above balances was mostly within 6 to 12 months.

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

25 RELATED-PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries and other allowances	**1,726**	1,854

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

Save as disclosed in Note 17, the Company and the Group have no other significant event occurred after the balance sheet date.