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

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2398)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Good Friend International Holdings Inc. (the "Company") is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2008 together with the comparative figures for the corresponding period in 2007. The results have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants and the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Six months ended 30 June	
		2008	2007
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue		**406,790**	366,834
Cost of sales and construction contract costs		**(302,601)**	(271,058)
Gross profit		**104,189**	95,776
Other income	*4*	**8,644**	3,409
Distribution and selling costs		**(45,152)**	(33,726)
Administrative expenses		**(20,670)**	(17,509)
Other expenses		**(802)**	(534)
Interest on bank borrowings wholly repayable within five years		**(2,458)**	(1,219)
Profit before tax	*5*	**43,751**	46,197
Income tax expense	*6*	**(7,546)**	(4,911)
Profit for the period attributable to equity holders of the Company		**36,205**	41,286
Dividend	*7*	**–**	14,000
Earnings per share – basic, in RMB	*8*	**0.11**	0.12

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

	NOTES	**30 June 2008** *RMB'000* **(unaudited)**	31 December 2007 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment		**135,584**	122,040
Deposits for purchase of plant and equipment		**12,118**	5,228
Prepaid lease payments		**42,724**	43,196
Intangible asset		**2,851**	2,506
Long term prepayments		**159**	245
Deferred tax assets		**5,983**	3,849
		199,419	177,064
Current assets			
Inventories		**156,951**	131,414
Debtors, deposits and prepayments	*9*	**249,080**	220,950
Prepaid lease payments		**943**	943
Amounts due from customers for contract work		**37,081**	18,929
Tax recoverable		**825**	4,205
Pledged bank deposits		**3,942**	2,436
Bank balances and cash		**29,225**	52,010
		478,047	430,887
Current liabilities			
Creditors and accrued charges	*10*	**205,599**	186,061
Amounts due to customers for contract work		**3,970**	5,273
Warranty provision		**4,287**	4,379
Bank borrowings		**79,828**	64,661
		293,684	260,374
Net current assets		**184,363**	170,513
		383,782	347,577
Capital and reserves			
Share capital		**3,431**	3,431
Reserves		**380,351**	344,146
		383,782	347,577

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis. The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

In the current period, the Group has applied, for the first time, a number of new interpretations ("new Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2008. The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new, revised or amended standards and interpretation that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company (the "Directors") are in the process of assessing the impact of the other new or revised standards, amendment or interpretation on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold and services provided to outside customers, less returns and allowances, and net of value-added tax during the period.

Business segments

For management purposes, the Group is currently organised into three operating divisions – machine tools, parking garage structures, and forklift trucks. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

For the six months ended 30 June 2008

	Machine tools *RMB'000*	**Parking garage structures** *RMB'000*	**Forklift trucks** *RMB'000*	**Total** *RMB'000*
Revenue – external sales	**268,012**	**46,674**	**92,104**	**406,790**
Segment results	**52,782**	**(969)**	**(1,437)**	**50,376**
Unallocated corporate income				**5,923**
Unallocated corporate expenses				**(10,090)**
Interest on bank borrowings wholly repayable within five years				**(2,458)**
Profit before tax				**43,751**
Income tax expense				**(7,546)**
Profit for the period attributable to equity holders of the Company				**36,205**

For the six months ended 30 June 2007

	Machine tools *RMB'000*	Parking garage structures *RMB'000*	Forklift trucks *RMB'000*	Total *RMB'000*
Revenue – external sales	261,953	59,154	45,727	366,834
Segment results	52,634	4,246	1,215	58,095
Unallocated corporate income				2,313
Unallocated corporate expenses				(12,992)
Interest on bank borrowings wholly repayable within five years				(1,219)
Profit before tax				46,197
Income tax expense				(4,911)
Profit for the period attributable to equity holders of the Company				41,286

4. OTHER INCOME

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Bank interest income	**224**	1,495
Government subsidies	**1,110**	460
Net exchange gain	**2,686**	–
Rental income	**313**	–
Repair income	**1,067**	591
Sales of materials	**2,764**	478
Others	**480**	385
	8,644	3,409

5. PROFIT BEFORE TAX

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging:		
Allowance for bad and doubtful debts, net	**7,700**	3,507
Amortisation of intangible asset included in administrative expenses	**519**	350
Amortisation of prepaid lease payments	**471**	271
Depreciation	**6,884**	6,245
Write down of inventories	**436**	325

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Enterprise income tax in PRC		
Current tax	**5,412**	5,640
Overprovision in prior year	**–**	(545)
Deferred tax		
Current year	**1,104**	(184)
Attributable to change in tax rate	**1,030**	–
	7,546	4,911

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

Hangzhou Good Friend Precision Machinery Co., Ltd. ("Hangzhou Good Friend"), a wholly owned subsidiary of the Company in the PRC, is subject to a tax rate of 18%, 20%, 22%, 24% and 25% for the years ending 31 December 2008, 2009, 2010, 2011 and 2012, respectively under the new Law of the PRC on Enterprise Income Tax effective 1 January 2008. For the period ended 30 June 2008, Hangzhou Good Friend was subject to a tax rate of 18%.

Under the old Foreign Enterprises Income Tax Law ("FEIT Law"), withholding tax ("WHT") on dividends from Foreign Investment Enterprises ("FIEs") to their foreign investors is exempted. The newly promulgated Corporate Income Tax Law ("CIT Law") of the PRC was effective on 1 January 2008. Under the new CIT Law, a special WHT exemption is granted for dividends declared of pre-2008 undistributed profits. While pre-2008 retained earnings of an FIE will be exempted from WHT when they are distributed to foreign investors from 1 January 2008 onwards, dividends declared in respect of profits earned from 1 January 2008 and after will be subject to WHT at 10%. No deferred tax has been provided for WHT on profits earned for the six months ended 30 June 2008.

Other group companies did not have taxable profits for both periods.

7. DIVIDEND

No dividends were paid during the period.

On 18 September 2008, the Directors have declared an interim dividend for the six months ended 30 June 2008 of RMB0.06 per share (six months ended 30 June 2007: RMB0.06 per share) to be paid to the shareholders of the Company whose names appear on the register of members on 17 October 2008.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the equity holders of the Company of RMB36.2 million (six months ended 30 June 2007: RMB41.3 million) and 336,000,000 shares in issue.

No diluted earnings per share have been presented as there were no potential dilutive shares in issue for both periods.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

The following is an aged analysis of trade debtors at the balance sheet dates:

	30 June 2008 *RMB'000*	31 December 2007 *RMB'000*
Trade debtors		
0 – 30 days	**144,725**	148,795
31 – 60 days	**6,495**	5,535
61 – 90 days	**4,790**	2,742
91 – 180 days	**12,738**	6,760
Over 180 days	**8,622**	7,308
	177,370	171,140
Other debtors, deposits and prepayments	**71,710**	49,810
Total debtors, deposits and prepayments	**249,080**	220,950

The Group allows a credit period of 30 to 180 days to its customers.

10. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors at the balance sheet dates:

	30 June 2008 *RMB'000*	31 December 2007 *RMB'000*
Trade creditors		
1 – 30 days	**62,858**	46,999
31 – 60 days	**38,382**	30,747
61 – 90 days	**2,279**	4,764
91 – 180 days	**702**	2,733
Over 180 days	**2,946**	3,429
	107,167	88,672
Other creditors and accrued charges	**98,432**	97,389
Total creditors and accrued charges	**205,599**	186,061

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2008, the Group recorded revenue of approximately RMB406.8 million, representing an increase of approximately 10.9% as compared to the corresponding period in 2007. Sales from CNC machine tools were the major source of the Group's revenue. During the period under review, sales of that product amounted to approximately RMB268 million and represented approximately 65.9% of the Group's total revenue. On the other hand, sales of forklift trucks for the period under review achieved an increase of approximately 101.4% over the same period last year to approximately RMB92.1 million. Such increase was resulted from the continued increase in sales orders from overseas customers for the forklift trucks. As a result, revenue generated from the forklift trucks increased to approximately 22.6% of the Group's total revenue. Moreover, sales of parking garage structures amounted to approximately RMB46.7 million during the period under review and accounted for approximately 11.5% of the total revenue.

Gross profit and margin

During the period under review, the Group's gross profit was approximately RMB104.2 million and the gross profit margin was approximately 25.6%. Gross profit margin remained fairly stable when compared to the same period last year. Despite the proportion of sales revenue of CNC machine tools (the Group's major product) to the Group's total revenue was decreased during the period under review, the operating gross profit margin for CNC machine tools rose to 33.4% compared to the same period last year. It was mainly brought by the successful sourcing of raw materials from local suppliers which enabled the Group to lower the relevant materials costs and hence to increase the operating profit of CNC machine tools.

Distribution and selling costs

Distribution and selling costs increased by approximately 33.9% to approximately RMB45.2 million for the six months ended 30 June 2008. Such increase was primarily due to the Group's active participation in those large-scale machine tools fairs as well as the significant increase of the sales volume of the forklift trucks during the period under review.

Administrative expenses

During the period under review, administrative expenses amounted to approximately RMB20.7 million which represented an increase of approximately 18.1% compared to the same period last year. The increase was mainly due to the increase in staff costs & related benefits and the increase in the provision for bad and doubtful debts.

Taxation

Pursuant to the transitional arrangement under the new Corporate Income Tax Law of the PRC, which is effective from 1 January 2008, the income tax rate of Hangzhou Good Friend Precision Machinery Co. Ltd ("Hangzhou Good Friend") will be gradually increased from 18% to the unified rate of 25% over 5-year transition period. During the period under review, the applicable tax rate for Hangzhou Good Friend is 18% when compared to 10.75% for the same period last year.

Profit attributable to equity holders of the Company

For the six months ended 30 June 2008, profit attributable to equity holders of the Company then amounted to approximately RMB36.2 million, representing a decrease of approximately 12.3% as compared to the same period last year.

BUSINESS REVIEW

For the first half of 2008, the sales volume of CNC machine tools, parking garage structures and forklift trucks amounted to 662 units, 2,459 units and 1,286 units respectively, whilst the aggregate revenue of CNC machine tools and forklift trucks already accounted for about 88.5% of the Group's total revenue. More than 65% of the Group's revenue was generated from the mainstream product CNC machine tools, with the major customers of the CNC machine tools business being those automobile and mechanical manufacturers. During the first half of 2008, the CNC machine tools business slowed down as a result of China's macroeconomic policy. During the period under review, the CNC machine tools business achieved a growth in revenue of approximately 2.3% as compared to the same period last year. Despite that, the Group was able to increase the selling prices of certain models of its CNC machine tools products by virtue of the Group's advantage over its competitors in producing relatively high quality CNC machine tools products. This enabled the Group to successfully counter the impact brought about by the surge in prices of raw materials. As a result, the Group maintained the overall gross profit margin at approximately 25.6% during the period under review. Moreover, the forklift trucks business continued to maintain its remarkable growth rate in 2007. During the period under review, the Group further enhanced the sales and marketing efforts of its forklift trucks business in the overseas markets, and progressively developed its own brand. Following the increase in sales demand from the overseas markets, the revenue generated from the forklift business during the period under review was therefore increased considerably by approximately 101.4%. Accordingly, the proportion of the overseas sales of the forklift trucks was increased to 64.2%.

PROSPECTS

Despite facing challenges stemmed from those factors including China's macroeconomic policy, fluctuation of raw materials prices, appreciation of Renminbi and the increase of the PRC income tax rate, the Group's 2008 interim results reflect solid performance. The Group remains confident in its future given that China's economy maintained at a relatively stable growth rate. The Group will continue to expand its production capacity and enhance its research and development capabilities for producing higher quality and high-end CNC machine tools, such as double column machining center. The first phase construction work of the Group's new production base in Xiasha, Zhejiang province (owned by Hangzhou Ever Friend Precision Machinery Co., Ltd.) is expected to be completed in the second half of 2008. The area of the new production plant is about 26,000 sq.m., and the plant will be utilized for the production of large-scale double column machining center. As the selling price of double column machining center is approximately 2 times above the selling price of those CNC machine tools currently produced by the Group, the management therefore believes that the launch of double column machining center will enhance the sales amount and the gross profit of the Group's CNC machine tools business. On the other hand, the second phase construction work of the Xiasha plant owned by Hangzhou Global Friend Precision Machinery Co., Ltd will also be completed in the second half of 2008. The Group plans to use this new plant for the assembling of those component parts which are required for the production of the forklift trucks, so as to decrease the proportion of the external procurement of such component parts. This arrangement could mitigate the impact of the raw materials price fluctuation and will increase effectively the operation gross profit of the forklift trucks business.

The goal of the Group is to become an international CNC machine tools manufacturer. Looking ahead, the Group will continue to enhance its R&D capabilities and develop more advanced products of better quality. The Group will endeavor to expand its sales network and its market share. Moreover, the management will strive to increase production efficiency and strengthen the control of the operating costs. In conclusion, the management is optimistic about the prospect of the Group in the foreseeable future.

LIQUIDITY AND FINANCIAL RESOURCES

The working capital of the Group was mainly financed by internal cash flows generated from its operation and its existing banking facilities. As at 30 June 2008, the Group's cash and cash equivalents amounted to approximately RMB29.2 million (at 31 December 2007: RMB52.0 million). As at 30 June 2008, the Group had net current assets of approximately RMB184.4 million (at 31 December 2007: RMB170.5 million) and short-term bank borrowings of approximately RMB79.8 million (at 31 December 2007: RMB64.7 million). The current ratio (total current assets to total current liabilities) of the Group as at 30 June 2008 was approximately 1.6 (at 31 December 2007: 1.7). The gearing ratio as at 30 June 2008 (total interest bearing liabilities to total assets) was approximately 11.8% (at 31 December 2007: 10.6%), indicated that the Group's overall financial position remained strong.

CAPITAL STRUCTURE

The share capital of the Company as at 30 June 2008 was HK$3,360,000 divided into 336,000,000 shares of HK$0.01 each (at 31 December 2007: HK3,360,000 divided into 336,000,000 shares of HK$0.01 each).

STAFF AND REMUNERATION POLICIES

As at 30 June 2008, the Group employs a total of approximately 1,340 full time employees (31 December 2007: 1,270) 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 RMB18.4 million (at 31 December 2007: RMB22.9 million) which were contracted but not provided in the financial statements. The Group had no material contingent liabilities as at 30 June 2008 (at 31 December 2007: Nil).

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2008, the Group had pledged bank deposits with an amount of approximately RMB3.9 million (at 31 December 2007: RMB2.4 million) which represented guarantee deposit in banks for the purpose of bidding contracts.

INTERIM DIVIDEND

The Board declared to pay an interim dividend of RMB0.06 per ordinary share for the six months ended 30 June 2008, amounting to approximately RMB20.2 million. The dividend warrants will be despatched on Wednesday, 29 October 2008 to those shareholders whose names appear on the register of members of the Company at the close of business on Friday, 17 October 2008.

The declared interim dividend for the six months ended 30 June 2008 will be calculated in Renminbi, and paid in Hong Kong dollars. The relevant exchange rate will be the average middle rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China at the date on which the directors declared the distribution of interim dividend.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to receive the interim dividend, the register of members of the Company will be closed from Tuesday, 14 October 2008 to Friday, 17 October 2008, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 13 October 2008.

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 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules, which came into effect on 1 January 2005, as its own code of corporate governance practices. The Company has applied the principles and made efforts to compile with code provisions of the CG Code for the six months ended 30 June 2008, except for the deviation from code provision E1.2 of the CG Code, which stipulates that the chairman of the board should attend the annual general meeting. The Chairman was unable to attend the annual general meeting held on 23 June 2008 due to a clash with his business trip and Mr. Chen Hsiang-Jung as Executive Director of the Company took the chair pursuant to the Articles of the Association of the Company.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 22 December 2005 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors, Mr. Koo Fook Sun, Louis (as chairman), Mr. Chiang Chun-Te and Mr. Yu Yu-Tang. The Audit Committee has reviewed the unaudited condensed consolidated financial report of the Group for the six months ended 30 June 2008.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the shares on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") was suspended with effect from 9:33 a.m. on 19 September, 2008 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares with effect from 2:30 p.m. on 19 September, 2008.

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

Hong Kong, 18 September 2008

As at the date of this announcement, the Board comprises Mr. Chu Chih-Yaung, Mr. Chen Hsiang-Jung, Mr. Chen Min-Ho, Mr. Wen Chi-Tang and Mr. Chiu Rung-Hsien as executive directors of the Company and Mr. Koo Fook Sun, Louis, Mr. Chiang Chun-Te and Mr. Yu Yu-Tang as independent non-executive directors of the Company.