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 2006

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 results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2006 together with the comparative figures for the corresponding period in 2005. The results have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu and the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
	NOTES	**2006** ***RMB'000*** **(unaudited)**	2005 *RMB'000* (audited)
Revenue		**271,299**	260,184
Cost of sales		**(210,631)**	(204,248)
Gross profit		**60,668**	55,936
Other income	4	**3,782**	2,788
Distribution costs		**(31,500)**	(27,052)
Administrative expenses		**(11,494)**	(5,985)
Other operating expenses		**(3,331)**	(858)
Interest on bank borrowings wholly repayable within five years		**(1,561)**	(1,965)
Profit before taxation	5	**16,564**	22,864
Taxation	6	**(885)**	(2,059)
Profit for the period attributable to equity holders of the Company		**15,679**	20,805
Earnings per share – basic, in RMB	8	**0.06**	0.10

CONDENSED CONSOLIDATED BALANCE SHEET

	NOTES	30 June 2006 RMB'000 (unaudited)	31 December 2005 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**96,364**	91,451
Prepaid lease payments		**10,102**	3,772
Intangible asset		**2,618**	1,007
Long term prepayments		**679**	765
Deferred tax assets		**1,468**	936
		111,231	97,931
Current assets			
Inventories		**112,764**	121,196
Debtors, deposits and prepayments	9	**129,911**	155,462
Amounts due from customers for contract work		**33,202**	5,261
Amount due from immediate holding company		**–**	417
Amount due from ultimate holding company		**–**	1,833
Amount due from a fellow subsidiary		**15**	185
Pledged bank deposits		**2,478**	1,665
Bank balances and cash		**59,560**	21,999
		337,930	308,018
Current liabilities			
Creditors and accrued charges	10	**152,884**	127,760
Amounts due to customers for contract work		**1,013**	58
Amount due to immediate holding company		**–**	1,656
Amount due to ultimate holding company		**–**	247
Tax payable		**1,631**	426
Warranty provision		**4,114**	3,503
Bank borrowings		**15,991**	84,556
		175,633	218,206
Net current assets		**162,297**	89,812
Net assets		**273,528**	187,743
Capital and reserves			
Share capital		**2,882**	–
Reserves		**270,646**	187,743
Total equity		**273,528**	187,743

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 2005 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new or amended Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and interpretations ("INT") that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[4]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 March 2006.
[3] Effective for annual periods beginning on or after 1 May 2006.
[4] Effective for annual periods beginning on or after 1 June 2006.

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 2006

	Machine tools *RMB'000*	**Parking garage structures** *RMB'000*	**Forklift trucks** *RMB'000*	**Total** *RMB'000*
Revenue – external sales	**206,517**	**40,449**	**24,333**	**271,299**
Segment results	**28,716**	**697**	**(1,422)**	**27,991**
Unallocated corporate income				**2,687**
Unallocated corporate expenses				**(12,553)**
Finance costs				**(1,561)**
Profit before taxation				**16,564**
Taxation				**(885)**
Profit for the period attributable to equity holders of the Company				**15,679**

For the six months ended 30 June 2005

	Machine tools *RMB'000*	Parking garage structures *RMB'000*	Forklift trucks *RMB'000*	Total *RMB'000*
Revenue – external sales	201,739	34,227	24,218	260,184
Segment results	24,019	79	(874)	23,224
Unallocated corporate income				2,788
Unallocated corporate expenses				(1,183)
Finance costs				(1,965)
Profit before taxation				22,864
Taxation				(2,059)
Profit for the period attributable to equity holders of the Company				20,805

4. OTHER INCOME

	Six months ended 30 June 2006 RMB'000	2005 RMB'000
Government subsidies	**1,230**	51
Bank interest income	**927**	115
Sales of materials	**678**	1,386
Repair income	**417**	775
Others	**530**	461
	3,782	2,788

5. PROFIT BEFORE TAXATION

	Six months ended 30 June 2006 RMB'000	2005 RMB'000
Profit before taxation has been arrived at after charging:		
Allowance for bad and doubtful debts, net	**1,930**	1,610
Amortisation of intangible asset included in administrative expenses	**258**	99
Amortisation of prepaid lease payments	**116**	50
Depreciation	**4,926**	4,712
Listing expenses	**2,976**	–

6. TAXATION

	Six months ended 30 June 2006 RMB'000	2005 RMB'000
Enterprise income tax in the People's Republic of China (the "PRC")	**1,417**	2,084
Deferred tax	**(532)**	(25)
	885	2,059

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.

Pursuant to the approvals obtained from the relevant PRC tax authorities, the preferential income tax rate for Hangzhou Good Friend Precision Machinery Co. Ltd. ("Hangzhou Good Friend") a subsidiary of the Company, is 16.5% comprising national income tax of 15% and local income tax of 1.5%. Hangzhou Good Friend is also entitled to a tax concession period in which it is fully exempted from national and local income tax for two years commencing from its first profit-making year, followed by a 50% reduction in the national and local income tax for the next three years. The applicable tax rate for Hangzhou Good Friend is 8.25% (six months ended 30 June 2005: 8.25%) for the period.

7. DIVIDENDS

No dividends were paid during the period. The directors have determined that an interim dividend of RMB0.05 per share (2005: Nil) should be paid to the shareholders of the Company whose names appear in the Register of Members on 5 October 2006.

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 RMB15,679,000 (six months ended 30 June 2005: RMB20,805,000) and the weighted average number of 276,132,597 shares in issue (six months ended 30 June 2005: 210,000,000 shares which represented the aggregate of the 200 ordinary shares in issue as at the date of the prospectus of the Company dated 30 December 2005 and 209,999,800 ordinary shares issued pursuant to the capitalisation issue, as if the shares were outstanding throughout the period).

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

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

	30 June 2006 *RMB'000*	31 December 2005 *RMB'000*
Trade debtors		
1 – 30 days	**71,591**	92,311
31 – 60 days	**4,440**	10,162
61 – 90 days	**4,126**	5,815
91 – 180 days	**10,443**	11,529
Over 180 days	**16,459**	6,246
	107,059	126,063
Other debtors, deposits and prepayments	**22,852**	29,399
Total debtors, deposits and prepayments	**129,911**	155,462

10. CREDITORS AND ACCRUED CHARGES

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

	30 June 2006 *RMB'000*	31 December 2005 *RMB'000*
Trade creditors		
1 – 30 days	**43,613**	21,296
31 – 60 days	**17,702**	21,043
61 – 90 days	**701**	2,337
91 – 180 days	**239**	7,901
Over 180 days	**3,801**	5,018
	66,056	57,595
Other creditors and accrued charges	**86,828**	70,165
Total creditors and accrued charges	**152,884**	127,760

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Directors declared to pay an interim dividend of RMB0.05 (equivalent to HK$0.049) per ordinary share for the six months ended 30 June 2006 (2005: Nil) on 18 October 2006 to the shareholders of the Company whose names appear on the Register of Members of the Company on 5 October 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on Thursday, 5 October 2006 which no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch 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 not later than 4:00 p.m. on Wednesday, 4 October 2006.

FINANCIAL REVIEW

The Group achieved a modest increase in revenue. For the six months ended 30 June 2006, the Group recorded revenue of approximately RMB271.30 million, representing an increase of about 4.3% as compared to the corresponding period in 2005. The gross profit margin increased to 22.4% from 21.5% as compared to the corresponding period last year. Since May 2006, the Group had adjusted its pricing strategy and managed to raise its selling prices of machine tools which had effectively offset the negative impact of increase in raw materials price for the first half of 2006.

Profit for the period attributable to equity holders amounted to approximately RMB15.68 million, representing a decrease of approximately 24.6% as compared to the corresponding period last year. The Group had devoted significant efforts to participate in trade fairs and expanded its local sales and distribution networks. As such, distribution costs increased by 16.4% to approximately RMB31.50 million. Administrative expenses increased significantly by 92.0% to approximately RMB11.49 million. The Group increased its number of staff to satisfy the growing production scale and established an office in Hong Kong to further develop the overseas market. Other operating expenses inflated sharply by 288.2% which included RMB2.98 million of listing expenses in the first half of 2006 upon listing of the Company in January 2006.

Business Review

For the first half of 2006, sales from machine tools remained the major source of revenue for the Group, amounted to approximately RMB206.52 million representing 76.1% of total revenue. On the other hand, revenue of parking garage structures and forklift trucks were approximately RMB40.45 million and RMB24.33 million respectively.

The Group's major customers of machine tools are automobile and mechanical manufacturers. In the first half of 2006, the development of the automobile industry in the PRC slowed down as a result of the PRC's macroeconomic policy. Selling prices of the products of competitors dropped while costs of crude oil and raw materials remained high. Notwithstanding the foregoing, the Group's machine tools business was able to achieve a growth in revenue of approximately 2.4% as compared with the corresponding period last year. Since May 2006, the Group had adjusted its pricing strategy and managed to raise its selling prices of machine tools in a successful attempt to counter the negative impact of raw material price fluctuation. As a result, the Group was able to maintain its gross profit margin at approximately 22.4% for the period under review.

For the six months ended 30 June 2006, sales from parking garage structures and forklift trucks accounted for approximately 14.9% and 9.0% respectively of the total revenue of the Group. The sales volume of parking garage structures and turnover increased by 22.6% and 18.2% respectively as compared to the corresponding period in 2005. The average selling price had reduced slightly during the period under review. For forklift trucks, the Group explored the electric forklift trucks market and developed overseas markets through OEM production. The increase in sales to such markets helps to improve the Group's overall gross profit margin in the long run.

Prospects

According to the "2006 World Machine Tool Output & Consumption Survey" issued by Gardner Publications, the PRC was the largest machine tool import and consumption country in the world in 2005. The value of machine tools imported by the PRC increased from approximately US$1,890 million in 2000 to US$6,700 million in 2005, representing a compound annual growth rate of approximately 29%. In terms of the total value of machine tool imported by the top 28 countries, PRC's imports accounted for approximately 9.4% in 2000. The percentage was further increased to 22% in 2005, reflecting that the PRC is an increasingly important market of machine tools over the world.

The Directors believe that many PRC enterprises are using imported machine tools for their production. While the price difference between imported and domestic machine tools stands at approximately 30% to 50%, the quality of domestic machine tools has become more comparable to that of imported machine tools. It is therefore envisaged that domestic machine tools will be able to gain increasing market share in the near future. In order to meet the growing demand for high-end precision machine tools from the automobile industry for their manufacture of vehicles components, the Group will expand its production and research and development capability to produce more higher-quality and higher-end precision machine tools.

The Group has started the first phase construction of the production plant at Xiasha, Zhejiang Province, which is expected to start its trial production in the second half of 2006. The second phase construction is expected to start at the end of 2006 and trial production will commence in the second half of 2007. The construction of the Xiasha production plant is funded by the proceeds from the initial public offerings of the Company. The Group had reallocated its resources and planned to relocate all its forklift production lines to the first phase of the new production plant at Xiasha. The second phase of the new production plant will predominately be used to produce parking garage structures. The existing production plant at Xiaoshan, Zhejiang Province will be retained as a commodious expansion for the production of machine tools products. The Group plans to use the production base at Xiaoshan for the research and development of higher-end precision computer numerical control machine tools. The Directors consider that the new arrangement will (1) enable the Group to achieve a better allocation and sharing of resources and avoid unnecessary duplication of resources; (2) enable the elimination of transportation costs which could increase production efficiency and lower machine tools manufacturing cost; and (3) improve utility of production machinery and equipment. As a result, the Group will be able to reduce manufacturing costs, boost production efficiency, expand production capacity and achieve a higher level of economy of scale. The Directors expect that after the completion of the Xiasha production plant, the annual production capacity of the three types of products namely, machines tools, parking garage structures and forklift trucks would be increased to 1,000 units, 2,000 units and 5,000 units respectively.

Liquidity and financial resources

The working capital of the Group was generally financed by internal cash flows generated from its operation and existing banking facilities. As at 30 June 2006, the Group's cash and cash equivalents amounted to approximately RMB59.56 million (31 December 2005: RMB22.00 million). Such an increase was mainly due to the net proceeds raised from the initial public offering of the Company's shares in January 2006. As at 30 June 2006, the Group had net current assets of approximately RMB162.30 million (31 December 2005: RMB89.81 million). The Group had monitored its cash position and reduced the bank borrowings substantially by approximately 81.1% from approximately RMB84.56 million as at 31 December 2005 to approximately RMB15.99 million as at 30 June 2006. The current ratio (a ratio of total current assets to total current liabilities) of the Group as at 30 June 2006 was approximately 1.9 (31 December 2005: 1.4). The gearing ratio (a ratio of total interest bearing liabilities to total assets) was approximately 3.6% (31 December 2005: 20.8%), reflecting the Group's improved financial position.

Capital structure

The share capital of the Company as at 30 June 2006 was HK$2,800,000 divided into 280,000,000 shares of HK$0.01 each.

Staff and remuneration policies

As at 30 June 2006, the Group employed approximately 1,050 full time staff (31 December 2005: 945). The remuneration policies of the Group are determined based on the market trends, future plans and the performance of individuals. In addition, the Group also provides other staff benefit such as mandatory provident fund, state-managed social welfare scheme and a share option scheme.

Capital commitments and contingent liabilities

As at 30 June 2006, the Group had made capital expenditure commitments of approximately RMB4.15 million (31 December 2005: RMB6.45 million) mainly for property, plant and equipment, which were contracted for but not provided in the condensed financial statements.

As at 30 June 2006, the Group did not have any material contingent liabilities.

Charges on the Group's assets

As at 30 June 2006, the Group had pledged bank deposits with an amount of approximately RMB2.48 million (at 31 December 2005: RMB1.67 million) which was guarantee deposit in banks for the purpose of bidding contracts.

The Group had repaid all the bank borrowings that were secured by the Group's assets as at 30 June 2006.

Use of proceeds

The proceeds from the Company's issue of new shares in January 2006, less listing expenses, amounted to approximately HK$62.3 million. During the six months ended 30 June 2006, net proceeds were utilised as follows:

	HK$'million
Acquisition of land for the production base of 杭州友高精密機械有限公司(Hangzhou Global Friend Precision Machinery Co., Ltd.) ("Hangzhou Global Friend")	6.30
Construction of the production base of Hangzhou Global Friend	5.92
Repayment of bank loans	11.84
General working capital	1.81
	25.87

The remaining balance was placed in short term deposits with licensed banks in Hong Kong and the PRC.

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 2006.

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.

Since the listing of the Company's shares on 11 January 2006 and up to 30 June 2006, the Company had been was in compliance with code provisions set out in the CG Code except that code provision A.4.2 of the CG Code provides that all directors appointed to fill a casual vacancy by the board of directors shall hold office until the first general meeting after their appointment while the then Articles of Association of the Company ("Articles") provides that any Directors so appointed by the Board shall hold office until the next following annual general meeting. A special resolution was passed at the annual general meeting of the Company held on 22 May 2006 whereby the Articles was amended to align the Articles with code provision A.4.2 of the CG Code.

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, Mr. Chiang Chun-Te and Mr. Yu Yu-Tang. The Audit Committee has reviewed the unaudited condensed financial statements of the Group for the six months ended 30 June 2006.

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

Hong Kong, 19 September 2006

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

Please also refer to the published version of this announcement in The Standard.