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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Good Friend International Holdings Inc. (the "Company") is pleased to present the audited consolidated income statement of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006 and the Group's audited consolidated balance sheet at 31 December 2006, together with the relevant comparative figures for the previous year.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2006

	Notes	**2006** *RMB'000*	2005 *RMB'000*
Revenue	*4*	**611,003**	557,674
Cost of sales		**(457,845)**	(438,349)
Gross profit		**153,158**	119,325
Other income	*5*	**8,948**	6,837
Distribution and selling costs		**(68,962)**	(54,548)
Administrative expenses		**(29,654)**	(18,049)
Other expenses		**(3,663)**	(1,229)
Finance costs	*6*	**(2,457)**	(5,211)
Profit before taxation	*7*	**57,370**	47,125
Taxation	*8*	**(4,288)**	(4,756)
Profit for the year attributable to equity holders of the Company		**53,082**	42,369
Dividend	*9*	**14,000**	–
Earnings per share – basic, in RMB	*10*	**0.19**	0.20

CONSOLIDATED BALANCE SHEET

At 31 December 2006

	Notes	2006 RMB'000	2005 RMB'000
Non-current assets			
Property, plant and equipment		**99,961**	91,451
Deposits for purchase of plant and equipment		**15,866**	–
Deposit for acquisition of land use right		**14,073**	–
Prepaid lease payments		**9,855**	3,772
Intangible assets		**2,313**	1,007
Long term prepayments		**419**	765
Deferred tax assets		**2,590**	936
		145,077	97,931
Current assets			
Inventories		**109,287**	121,196
Debtors, deposits and prepayments	*11*	**146,920**	155,462
Amounts due from customers for contract work		**18,550**	5,261
Amount due from immediate holding company		**–**	417
Amount due from ultimate holding company		**–**	1,833
Amount due from a fellow subsidiary		**–**	185
Pledged bank deposits		**2,753**	1,665
Bank deposits with maturity period more than three months		**4,983**	–
Bank balances and cash		**69,218**	21,999
		351,711	308,018
Current liabilities			
Creditors and accrued charges	*12*	**142,169**	127,760
Amounts due to customers for contract work		**5,698**	58
Amount due to immediate holding company		**–**	1,656
Amount due to ultimate holding company		**–**	247
Tax payable		**1,110**	426
Warranty provision		**4,449**	3,503
Bank borrowings		**46,510**	84,556
		199,936	218,206
Net current assets		**151,775**	89,812
		296,852	187,743
Capital and reserves			
Share capital		**2,882**	–
Reserves		**293,970**	187,743
		296,852	187,743

Notes:

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Good Friend (H.K.) Corporation Limited ("Hong Kong GF"), a company incorporated in Hong Kong and its ultimate holding company is Fair Friend Enterprise Company Limited ("Taiwan FF"), a company incorporated in Taiwan.

The Company is an investment holding company.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the Company's functional currency.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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 and financial position 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 standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment 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]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) – INT 8	Scope of HKFRS 2[4]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[7]
HK(IFRIC) – INT 12	Service Concession Arrangements[8]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 March 2006.
[4] Effective for annual periods beginning on or after 1 May 2006.
[5] Effective for annual periods beginning on or after 1 June 2006.
[6] Effective for annual periods beginning on or after 1 November 2006.
[7] Effective for annual periods beginning on or after 1 March 2007.
[8] Effective for annual periods beginning on or after 1 January 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements have been prepared in accordance with HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

4. SEGMENT INFORMATION

Revenue represents the net 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 year.

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 year ended 31 December 2006

	Machine tools *RMB'000*	Parking garage structures *RMB'000*	Forklift trucks *RMB'000*	Total *RMB'000*
Revenue – external sales	**467,346**	**85,349**	**58,308**	**611,003**
Segment results	**80,938**	**4,468**	**650**	**86,056**
Unallocated corporate income				**6,563**
Unallocated corporate expenses				**(32,792)**
Finance costs				**(2,457)**
Profit before taxation				**57,370**
Taxation				**(4,288)**
Profit for the year attributable to equity holders of the Company				**53,082**

At 31 December 2006

	Machine tools *RMB'000*	Parking garage structures *RMB'000*	Forklift trucks *RMB'000*	Total *RMB'000*
Balance sheet				
Assets				
Segment assets	**266,536**	**76,632**	**75,417**	**418,585**
Unallocated corporate assets				**78,203**
Consolidated total assets				**496,788**
Liabilities				
Segment liabilities	**81,995**	**29,283**	**20,706**	**131,984**
Unallocated corporate liabilities				**67,952**
Consolidated total liabilities				**199,936**

	Machine tools *RMB'000*	**Parking garage structures** *RMB'000*	**Forklift trucks** *RMB'000*	**Corporate** *RMB'000*	**Total** *RMB'000*
Other information					
Capital expenditure	**3,647**	**244**	**13,470**	**3,580**	**20,941**
Depreciation and amortisation	**6,919**	**967**	**498**	**2,210**	**10,594**
Allowance for bad and doubtful debts, net	**4,743**	**653**	**1,952**	**–**	**7,348**

For the year ended 31 December 2005

	Machine tools *RMB'000*	Parking garage structures *RMB'000*	Forklift trucks *RMB'000*	Total *RMB'000*
Revenue – external sales	426,396	74,430	56,848	557,674
Segment results	66,395	1,918	113	68,426
Unallocated corporate income				3,500
Unallocated corporate expenses				(19,590)
Finance costs				(5,211)
Profit before taxation				47,125
Taxation				(4,756)
Profit for the year				42,369

At 31 December 2005

	Machine tools *RMB'000*	Parking garage structures *RMB'000*	Forklift trucks *RMB'000*	Total *RMB'000*
Balance sheet				
Assets				
Segment assets	266,334	73,897	38,588	378,819
Unallocated corporate assets				27,130
Consolidated total assets				405,949
Liabilities				
Segment liabilities	77,742	23,532	25,007	126,281
Unallocated corporate liabilities				91,925
Consolidated total liabilities				218,206

	Machine tools *RMB'000*	Parking garage structures *RMB'000*	Forklift trucks *RMB'000*	Corporate *RMB'000*	Total *RMB'000*
Other information					
Capital expenditure	2,470	1,228	715	585	4,998
Depreciation and amortisation	6,816	944	307	1,693	9,760
(Reversal of) allowance for bad and doubtful debts	(584)	(30)	706	–	92
Loss on disposal of property, plant and equipment	17	3	–	9	29

Geographical segments

All of the Group's operations are located in the People's Republic of China (the "PRC") and the Group mainly serves the PRC market. Accordingly, no segment information by geographical market is presented.

5. OTHER INCOME

	2006 ***RMB'000***	2005 *RMB'000*
Government subsidies	**4,489**	373
Sales of materials	**1,814**	1,333
Bank interest income	**1,754**	230
Net exchange gain	**–**	1,985
Repair income	**438**	1,689
Gain on disposal of property, plant and equipment	**14**	–
Others	**439**	1,227
	8,948	6,837

6. FINANCE COSTS

The amounts represent interest on bank borrowings wholly repayable within five years.

7. PROFIT BEFORE TAXATION

	2006 ***RMB'000***	2005 *RMB'000*
Profit before taxation has been arrived at after charging:		
Amortisation of intangible asset included in administrative expenses	**580**	210
Amortisation of prepaid lease payments	**232**	100
Depreciation of property, plant and equipment	**10,014**	9,550
Listing expenses	**2,950**	–

8. TAXATION

	2006 *RMB'000*	2005 *RMB'000*
PRC enterprise income tax		
Current tax	**6,371**	4,574
Overprovision in respect of prior year	**(429)**	–
Deferred tax	**1,654**	182
	4,288	4,756

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 years.

Pursuant to the approvals obtained from the relevant PRC tax authorities, the preferential income tax rate for 杭州友佳精密機械有限公司 (Hangzhou Good Friend Precision Machinery Co., Ltd.) ("Hangzhou Good Friend") 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. In addition, as Hangzhou Good Friend was recognised as a technologically advanced enterprise, the 2005 local income tax of Hangzhou Good Friend was specifically and fully refunded by the relevant tax authorities in 2006. The applicable tax rate for Hangzhou Good Friend is 8.25% (2005: 8.25%) for the year.

杭州友高精密機械有限公司 (Hangzhou Global Friend Precision Machinery Co., Ltd.) ("Hangzhou Global Friend") did not have taxable profits for both years.

9. DIVIDEND

Dividend recognised as distribution during the year:

	2006 *RMB'000*	2005 *RMB'000*
Ordinary shares:		
Interim – RMB5 cents per share (2005: Nil)	**14,000**	–

Final dividend of RMB5 cents per share (2005: Nil) has been proposed by the Directors and is subject to the approval of the shareholders at the annual general meeting.

10. EARNINGS PER SHARE

The calculation of the basis earnings per share is based on the profit for the year attributable to equity holders of the Company of RMB53,082,000 (2005: RMB42,369,000) and the weighted average number of 278,082,192 (2005: 210,000,000) ordinary shares in issue on the assumption that the aggregate of the 200 ordinary shares in issue as at the date of the prospectus of the Company dated 31 December 2005 and 209,999,800 ordinary shares issued pursuant to the capitalisation issue, have been issued on 1 January 2005.

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

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	2006 *RMB'000*	2005 *RMB'000*
Trade debtors	**128,193**	129,749
Less: Allowance for bad and doubtful debts	**(11,034)**	(3,686)
	117,159	126,063
Advance deposits to suppliers	**17,064**	10,864
Other debtors, deposits and prepayments	**12,697**	18,535
Total debtors, deposits and prepayments	**146,920**	155,462

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

The aging analysis of trade debtors is as follows:

	2006 *RMB'000*	2005 *RMB'000*
1 – 30 days	**84,933**	92,311
31 – 60 days	**3,204**	10,162
61 – 90 days	**5,683**	5,815
91 – 180 days	**11,339**	11,529
Over 180 days	**12,000**	6,246
	117,159	126,063

12. CREDITORS AND ACCRUED CHARGES

The aging analysis of trade creditors is as follows:

	2006 *RMB'000*	2005 *RMB'000*
1 – 30 days	**31,737**	21,296
31 – 60 days	**18,455**	21,043
61 – 90 days	**400**	2,337
91 – 180 days	**234**	7,901
Over 180 days	**2,203**	5,018
Trade creditors	**53,029**	57,595
Advance deposits from customers	**56,337**	42,502
Other creditors and accrued charges	**32,803**	27,663
	142,169	127,760

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group successfully maintained its growth momentum this year. Revenue increased by approximately RMB53.33 million to approximately RMB611.00 million in 2006, an increase of approximately 9.6% over approximately RMB557.67 million in 2005. Profit attributable to equity holders achieved a significant rise of approximately 25.3% from approximately RMB42.37 million in 2005 to approximately RMB53.08 million in 2006.

Machine tools

In recent years, the dramatic growth and development in China's manufacturing sectors has fuelled the market for machine tools. Consumption of CNC machine tools constituted more than 50% of the value of the total machine tools market. However, the number of the CNC machine tools in use account for less than 10%. As China modernizes, CNC machine tools will gradually replace existing ordinary machine tools. The Group's target customers include automobile, electronics and electrical products manufacturers, mould processing and mechanical related manufacturers, and these markets will create increasing demand as they shift from small and ordinary-type machines to large and high-grade CNC machine tools.

As a result, the Group achieved a remarkable growth in sales volume of CNC machine tools. The number of machine tools sold increased from 960 to 1,151 units this year. Sales from machine tools products rose from approximately RMB426.40 million in 2005 to approximately RMB467.35 million in 2006, with an increase of approximately 9.6% over the year and represented approximately 76.5% of the Group's total revenue. Due to the intense competition in the market, the Group thereby reduced its average selling prices of some products with low and medium gross profit margin to broaden its customer bases and attract new customers. Besides, raw material costs had declined and become fairly stable in 2006. Gross profit margins was improved by bringing costs down sharply through proactive sourcing of raw materials from the local suppliers with lower prices for major parts and components. Overall operating gross profit for machine tools therefore improved to approximately 27.3% in 2006.

Parking garage structures

Revenue from parking garage structures rose from approximately RMB74.43 million in 2005 to approximately RMB85.35 million in 2006, representing an increase of approximately 14.6% over the year and remained at approximately 14% of the Group's total revenue. Sales volume grew by approximately 6.2% to 4,828 units with average selling price grow by approximately 6.8% as compared with the previous year. Operating gross profit for parking garage structures improved to approximately 19.9%. Parking garage structures will effectively increase the number of car parking spaces on a plot of land and the increase of our revenue reflected an escalating demand for parking garage structure is expected as the ownership of motor vehicles has risen rapidly during the year.

Forklift trucks

In 2006, revenue from forklift trucks products increased from approximately RMB56.85 million in 2005 to approximately RMB58.31 million in 2006, with an increase of approximately 2.6% and representing approximately 9.5% of the Group's total revenue. The sales volume dropped by approximately 4.0% to 957 units as compared with the previous year due to the relocation of production lines to Hangzhou Global Friend in December 2006, which led to temporary suspension of operations. However, the Group launched new models and increased overseas sales this year and such contribution will offset the decrease of sales, part of which represented approximately 17.2% and approximately 26.5% of total sales volume and revenue respectively in 2006. Overseas sales of forklift trucks have higher selling prices and gross profit, which operating margin for forklift trucks products improved to approximately 15.9%.

Cost of sales and gross profit

The cost of sales increased from approximately RMB438.35 million in 2005 to approximately RMB457.85 million in 2006 while the Group's gross profit increased from approximately RMB119.33 million in 2005 to approximately RMB153.16 million in 2006. Overall gross profit margin of the Group improved from approximately 21.4% to approximately 25.1%. The increase was due to the improved sales mix of the Group with larger proportion of high margin products in the sector of machine tools being sold.

Other income

The Group's other income increased significantly to approximately RMB8.95 million in 2006 from approximately RMB6.84 million in the previous year. Such increase was primarily due to the government subsidies granted by the local government bureaus for rewarding the successful listing of the Company and the development of technology and reinvestment incentive of the Group during the year.

Operating expenses

Distribution and selling costs increased by approximately 26.4% from approximately RMB 54.55 million in 2005 to approximately RMB68.96 million in 2006. The Group had gained new customers by actively participating in a number of machine tools shows and exhibitions in the PRC markets and liaising with sales agents to expand its sales force and sales networks. Distribution and selling costs as a percentage of the Group's revenue increased from approximately 9.8% to approximately 11.3% over the year. Administrative expenses increased by approximately 64.3% from approximately RMB18.05 million in 2005 to approximately RMB29.65 million in 2006. The increase was due to the recruitment of additional staff, increase in the allowance for bad and doubtful debts and increase of professional fees. Administrative expenses as a percentage of the Group's revenue increased from approximately 3.2% to approximately 4.9% over the year.

Other expenses increased sharply to approximately RMB3.66 million in 2006 from approximately RMB1.23 million in 2005, which included approximately RMB2.95 million of one-off listing expenses. The fee was incurred when the Company was listed in January 2006. Finance costs decreased substantially by approximately 52.8% as compared to the previous year as the Group reduced its bank loans during the year.

Profit attributable to equity holders

The Group's profit attributable to equity holders for the year ended 31 December 2006 was approximately RMB53.08 million, an increase of approximately RMB10.71 million or approximately 25.3% over the previous year. Net profit margin attributable to equity holders increased from approximately 7.6% in 2005 to approximately 8.7% in 2006.

Liquidity and financial resources

As at 31 December 2006, the Group had net current assets of approximately RMB151.78 million (2005: RMB89.81 million), shareholders' fund of approximately RMB296.85 million (2005: RMB187.74 million) and short-term bank borrowings of approximately RMB46.51 million (2005: RMB84.56 million). The Group's working capital was financed by internal cash flows generated from its operation and existing banking facilities.

Cash and cash equivalents as at 31 December 2006 amounted to approximately RMB69.22 million (2005: RMB22.00 million) representing an increase of approximately RMB47.22 million. The Group had mastered its cash position by increasing the net cash from its operating activities. The current ratio (a ratio of total current assets to total current liabilities) of the Group was approximately 1.8 (2005: 1.4). The gearing ratio (a ratio of total debts to total assets) was approximately 9.4% (2005: 20.8%), reflecting the Group's improved financial position.

Significant investment

The Group had no significant investment held for the year ended 31 December 2006.

Material acquisitions and disposals of subsidiaries

The Group did not have any material acquisition or disposal of subsidiaries or associates during the year ended 31 December 2006.

Segmental information

Details of segmental information for the year ended 31 December 2006 are set out in note 4.

Staff and remuneration policies

At 31 December 2006, the Group employed a total of 1,051 (2005: 945) full-time employees in Hong Kong and the PRC. The total staff costs (including Directors' fee and emoluments) amounted to approximately RMB50.65 million (2005: RMB42.03 million). The promotion and salary review policies of the Group are determined with reference to the market trends, future plans and the performance of individuals in various regions and are reviewed periodically.

The Company also hold a share option scheme, for the purpose of providing incentive and rewards to eligible participants for their contributions to the Group.

The employees of the Company's subsidiaries join a state-managed social welfare scheme operated by the local government of the PRC and the employees in Hong Kong participate in the Mandatory Provident Fund Scheme. During the year under review, the Group contributed approximately RMB2.01 million (2005: RMB1.91 million) to the said schemes.

Capital commitments and contingencies

The Group has made capital expenditure commitments mainly for property, plant and equipment of approximately RMB4.21 million (2005: 6.45 million) which are contracted but not provided in the financial statements. The Group had no material contingent liabilities as at 31 December 2006 (2005: Nil).

Charges on the Group's assets

As at 31 December 2006, pledged bank deposits with an amount of approximately RMB2.75 million (2005: RMB1.67 million) represented 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 31 December 2005 during the year.

Future plans for material investments or capital assets

The Group started the second phase of construction plan of production plant of Hangzhou Global Friend at the end of 2006 and trial production is expected to commence in the second half of 2007. It will predominately be used to produce parking garage structures. The construction cost is estimated to be approximately RMB25.00 million and will be financed by internal resources or banking facilities. The Group acquired the land use right in Xiasha, Zhejiang province with a total floor area of approximately 70,300 sqm at a cost of approximately RMB14.07 million in December 2006. The land belonged to new factory of 杭州友華精密機械有限公司 (Hangzhou Every Friend Precision Machinery Co., Ltd.) ("Hangzhou Every Friend") and the construction is expected to be divided into two phases. The first phase is expected to commence in the second quarter of 2007 with an estimated cost of construction of approximately RMB43.80 million.

Foreign exchange risk

The Group mainly operates in the PRC. During the year ended 31 December 2006, the Group collected most of its revenue in Renminbi, some of which were converted into foreign currencies such as United States dollars, Japanese Yen and other foreign currencies for the payment of imported parts and components. As such, the Group had a certain level of exposure to foreign exchange fluctuations. The Group has no hedging activities as it is considered that the impact to the Group is insignificant.

Renminbi currently is not a freely convertible currency. A portion of the Group's Renminbi revenue or profit must be converted into other currencies to meet foreign currency obligations of the Group such as the payment of dividends, if declared.

BUSINESS REVIEW

The year 2006 marked a new beginning for our business. With our belief in credibility, accountability and perpetual operations, we have been committed to offering customers high quality products so as to capture business opportunities in the market and expand the scale of our business continuously. We recorded satisfactory growth in sales and sales volume for the year with all the three business segments, namely machine tools, parking garage structures and forklift trucks posting satisfactory growth, in which our key products, computer numerical controlled machine tools (CNC machine tools) achieved an increase of approximately 9.6% in sales compared to same period in 2005. For the year ended 31 December 2006, our annual sale volume of machine tools, parking garage structures and forklift trucks amounted to 1,151 units, 4,828 units and 957 units respectively.

During the year, machine tools remained the major source of our revenue, representing 76.5% of the total revenue. During the period, we had developed new models of NB and FB machine tools, which are more appropriate for the processing need of automobile components that require heavy cutting. They also complement well with small-sized hard rail lathes (硬軌機床) that the Group has traditionally focused on, and help fulfilled our market demand. In 2007, we will concentrate on the research and development of high precision CNC lathe (高精度數控車床) to satisfy with the demand from high-end automobile component manufacturing sectors, and explore the application areas for machine tools.

As for parking garage structures, the Group successfully explored the markets in Hong Kong, Macau, Singapore and the United States, with the development of the overseas-accommodated NP series of pit and elevators features, which invoke huge demands in the Japanese market and is expected to export against Japan. The Group will focus on the research and development of cargo warehouse products to cope with the demands emerging from the new market pattern. As for forklift trucks, we developed tri-wheel counter balance electronic forklift truck (三支點平衡重式電瓶叉車). The low noise and flexible turning features of this new product meet the needs of overseas high-end cargo warehouse market. We have strengthened our expansion of this product into the PRC and successfully entered into the market in Henan province so far. As a result, sales in Zhejiang province increased to approximately 45% of our total sales. In respect of the overall sales network, the number of our liaison offices in China has increased from 19 in 2005 to 26 this year to provide prompt services to customers, with the new liaison offices set up in places such as Ningbo, Dalian, Ganzhou, Hefei, etc. providing broad coverage in the PRC market. In respect of our overseas markets, the Group has sought prominent overseas sales agents, and has established long term co-operation relationship with agents in countries including United States, France and the Netherlands, to satisfy the overseas markets of forklift trucks.

To cope with the vast demand of the markets, we have already planned to expand the production capacity and the scale of production. First phase of the new factory of Hangzhou Global Friend, which is situated in Xiasha, Zhejiang province, has duly completed all the installations and ancillary facilities in December 2006, and started the production of forklift trucks instead of machine tools and parking garage structures as originally planned in the prospectus in early 2007, while Hangzhou Good Friend, the factory for production which is originally situated in Xiaoshan will continue to expand the production and research and development of 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 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 new plant will help to expand the production capacity of the Group, and its contribution to the Group is expected to be reflected in 2007.

Furthermore, at the end of 2006, the Group acquired a land use right in Xiasha, Zhejiang province, with total floor area of about 70,300 sqm, which is expected to further enhance the production capacity of the Group, with the relevant cost of approximately RMB14.07 million. The new production plant will be owned by Hangzhou Every Friend, and construction will be divided into two phases. The first phase is expected to commence in the second quarter of 2007, and the construction cost is expected to be RMB43.80 million.

Besides, the Group has established a trading company, namely 友盛（上海）精密機械有限公司 (Rich Friend (Shanghai) Precision Machinery Co., Ltd) ("Rich Friend Shanghai") during the year, and has explored the domestic market with a prestigious machine tools manufacturer in France. Machine tools sold by French machine tools manufacturer are classified as high performance milling centre with portal, and target at customers who are the manufacturers of aviation, aerospace and precision mould products. By expanding the market together with manufacturers in Europe, the Group is able to provide diversified products, in order to respond to the market needs quickly and introduce state-of-the-art technology from overseas, in order to improve the quality of the products of the Group.

PROSPECTS

2006 is the first year of the "Eleventh Five-year Development Plan for National Economic and Social Development". There will be more large scale infrastructure project plans in the country. Investment in industrial fixed assets will be accelerated and there will be growing demand for technique improvement in manufacturing industry. China has a great demand for high quality and precision tools, especially high-end CNC machine tools. As the technique and product quality of China's CNC machine tools improves, they are gradually replacing imported machine tools. In the mean time, as the largest machine tools consuming country with low production cost, more overseas companies are producing CNC machine tools in China.

In the future, more resources of the Group will go to overseas markets and be used for improving product quality and boosting production capacity. In addition, the Group will seize opportunities, to utilize its advantage of familiarity with the China market to become partners of overseas producers, to introduce international advanced technology to the domestic market so as to improve the product quality and portfolio and help the Group enter into the overseas market. The forklift trucks business is also booming as a result of increased market demand for forklift trucks, which is used for cargo transfer. In addition, since there are more and more private cars in each developing cities there will be ample room for the Group's parking garage structure business.

As for production, the Group will expand its production capacity in the coming years. The second phase construction plan of the production plant of Hangzhou Global Friend at Xiasha started at the end of 2006 and is expected to complete in the second half of 2007 with a construction cost of approximately RMB25.00 million. It is estimated that once Hangzhou Global Friend is in full operation, maximum annual production capacity of parking garage structures and forklift trucks will reach 10,000 units and 5,000 units respectively. The maximum annual production capacity of parking garage structures is expected to increase from 2,000 units (as disclosed in the interim report for the six months ended 30 June 2006) to 10,000 units. Such increase is mainly due to the better reallocation of resources as the second phase of the production plant will predominately be used to produce parking garage structures. In addition, the newly acquired land mentioned above belonged to Hangzhou Every Friend will be used for building production plant. The construction is expected to start in the second quarter of 2007 and the first phase and second phase is expected to be completed before the end of 2007 and the end of 2008 respectively.

The Group believes that with its competitive edge in the industry and by assimilating advanced manufacture technology from abroad, together with its improved management system and measurement for manufacture techniques and quality, the Group will enhance its capability to meet customers' need and demand. We are committed to becoming an international CNC machine tools manufacturer, and bring the best return to the shareholders.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares in January 2006, less listing expenses, amounted to approximately HK$62.30 million. During the year ended 31 December 2006, net proceeds were utilised as follows:

	HK$'million
Acquisition of land for the production base of Hangzhou Global Friend	6.26
Construction of the production base of Hangzhou Global Friend	10.61
Purchase of new production equipment and machinery for Hangzhou Global Friend	1.07
Repayment of bank loans	11.84
General working capital	4.77
	34.55

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

FINAL DIVIDEND

The Board proposed a final dividend of RMB0.05 (equivalent to approximately HK$0.05) per ordinary share for the year ended 31 December 2006, amounting to RMB14 million (equivalent to approximately HK$14 million). The dividend warrants will be despatched on Monday, 28 May 2007 to those shareholders whose names appear on the register of members of the Company at the close of business on Monday, 21 May 2007, subject to the approval of the shareholders at the forthcoming annual general meeting (the "2007 AGM").

PROPOSED BONUS ISSUE OF SHARES

The Board proposed a bonus issue of shares be made to shareholders whose names appear on the register of members on 21 May 2007 in the proportion of 1 bonus share for every 5 shares held (the "Bonus Issue"). Based on the 280,000,000 shares in issue as at the date of this announcement, 56,000,000 bonus shares will be issued. The bonus shares will be credited as fully paid and will rank pari passu in all respects with the existing issued shares with effect from the date of issue, except for the Bonus Issue or the final dividend for the year ended 31 December 2006. No fractional shares will be issued but will be aggregated and sold. The proceeds of sale will be retained for the benefit of the Company.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to receive the final dividend, participate in the bonus issue and attend and vote at the 2007 AGM, the register of members of the Company will be closed from Wednesday, 16 May 2007 to Monday, 21 May 2007, 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 Tuesday, 15 May 2007.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2006.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted its own code of corporate governance practices which meets the code provisions in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules.

Since the listing of the Company's shares on 11 January 2006 and up to 31 December 2006, the Company had adopted the principles and been in compliance with code provisions set out in the CG Code.

The Company noted code A.4.2 of the CG Code provides that all directors appointed to fill a casual vacancy shall be subject to re-election at the first general meeting after their appointment. This may create potential inconsistency in operation with the Articles which provided that any Director so appointed by the Board shall hold office until the next following annual general meeting (instead of the first general meeting as per code A.4.2) and be eligible for re-election thereat. A special resolution was passed at the annual general meeting of the Company held on 22 May 2006 whereby the Articles was duly amended to align with code A.4.2 of the CG Code. Prior to such amendment, the relevant provision in the Articles was never invoked during the twelve months period ended 31 December 2006 and up to the date thereof, as no Director was appointed by the Board to fill a casual vacancy and no general meeting other than the annual general meeting of 22 May 2006 had been held during such period.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company established an audit committee (the "Audit Committee") on 22 December 2005 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. 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 with the management the audited consolidated financial statements of the Group for the year ended 31 December 2006.

AUDITORS

The financial statements for the year ended 31 December 2006 have been audited by the Group's auditors, Messrs. Deloitte Touche Tohmatsu (who shall retire and, being eligible, offer themselves for re-appointment at the 2007 AGM).

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This preliminary results announcement will be posted on the website of the Stock Exchange (http://www.hkex.com.hk). The annual report for the financial year will be despatched to the shareholders and available on the same website in due course.

On behalf of the Board
Good Friend International Holdings Inc.
Chu Chih-Yaung
Chairman

Hong Kong, 17 April 2007

As at the date of this announcement, (a) 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; (b) 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"