

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

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) HKFRS 7 HK(IFRIC) – INT 7 HK(IFRIC) – INT 8 HK(IFRIC) – INT 9	Capital Disclosures ¹ Financial Instruments: Disclosures ¹ Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ² Scope of HKFRS 2 ³ 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	<u>206,517</u>	<u>40,449</u>	<u>24,333</u>	<u>271,299</u>
Segment results	<u>28,716</u>	<u>697</u>	<u>(1,422)</u>	27,991
Unallocated corporate income				2,687
Unallocated corporate expenses				(12,553)
Finance costs				<u>(1,561)</u>
Profit before taxation				16,564
Taxation				<u>(885)</u>
Profit for the period attributable to equity holders of the Company				<u>15,679</u>

3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

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	<u>201,739</u>	<u>34,227</u>	<u>24,218</u>	<u>260,184</u>
Segment results	<u>24,019</u>	<u>79</u>	<u>(874)</u>	23,224
Unallocated corporate income				2,788
Unallocated corporate expenses				(1,183)
Finance costs				<u>(1,965)</u>
Profit before taxation				22,864
Taxation				<u>(2,059)</u>
Profit for the period attributable to equity holders of the Company				<u>20,805</u>

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	<u>530</u>	<u>461</u>
	<u>3,782</u>	<u>2,788</u>

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2006	2005
	RMB'000	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	-
	<u> </u>	<u> </u>

6. TAXATION

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

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 described more fully in note 13, 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. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

During the period, the Group disposed of property, plant and equipment with carrying amount of approximately RMB345,000.

In addition, the Group spent approximately RMB6,446,000 for acquiring new land use rights, RMB6,379,000 on the construction in progress, and RMB3,805,000 on additions to its existing manufacturing plant in order to upgrade its manufacturing facilities.

10. 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
	129,911	155,462
	129,911	155,462

11. 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
	152,884	127,760
	152,884	127,760

12. BANK BORROWINGS

During the period, the Group obtained new bank loans of approximately RMB45.4 million and repaid bank loans of approximately RMB114 million. The loans bear interest at market rates ranging from 5.22% to 6.35% and will be repayable in 2006. The proceeds were used to finance daily operations.

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each (HK\$0.10 each before subdivision of shares on 20 September 2005)		
Authorised:		
Incorporation of the Company	3,800,000	380
Subdivision of shares during the period	34,200,000	–
Increase during the prior period	962,000,000	9,620
At 31 December 2005, 1 January 2006 and 30 June 2006	1,000,000,000	10,000
Issued and fully paid:		
Incorporation of the Company	1	–
Subdivision of shares during the period	9	–
Shares issued at premium upon group reorganisation	190	–
At 31 December 2005 and 1 January 2006	200	–
Capitalisation issue of shares	209,999,800	2,100
Shares issued during the period	70,000,000	700
At 30 June 2006	280,000,000	2,800
	30 June 2006 RMB'000	31 December 2005 RMB'000
Shown in the financial statements as	2,882	–

13. SHARE CAPITAL (Continued)

As at the date of incorporation of the Company on 6 September 2005, its authorised share capital was HK\$380,000 divided into 3,800,000 ordinary shares of HK\$0.10 each, one of which was allotted and issued nil paid, to the then sole shareholder of the Company.

By a written resolution of the sole shareholder of the Company passed on 20 September 2005, every issued and unissued ordinary share of HK\$0.10 each in the capital of the Company was subdivided into 10 ordinary shares of HK\$0.01 each. The Company's authorised share capital became HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each.

By a written resolution of the sole shareholder of the Company passed on 22 December 2005, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of a further 962,000,000 ordinary shares to rank pari passu with the then existing shares in all respects.

Pursuant to the group reorganisation in December 2005, the then existing 10 ordinary shares of HK\$0.01 each in the Company were credited as fully paid and an additional 190 ordinary shares of HK\$0.01 each in the Company were issued in exchange of shares of the subsidiaries acquired.

On 10 January 2006, 70,000,000 ordinary shares of HK\$0.01 each in the Company were issued and offered for subscription at a price of HK\$1.13 per share upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited. On the same date, 209,999,800 ordinary shares of HK\$0.01 each in the Company were issued at par, credited as fully paid, to the sole shareholder whose names appeared on the register of members of the Company on 22 December 2005 by capitalisation of HK\$2,099,998 transferred from the Company's share premium account pursuant to written resolutions of the sole shareholder of the Company passed on 22 December 2005.

The shares issued above ranked pari passu with the then existing shares in all respects.

14. CAPITAL COMMITMENTS

	30 June 2006 RMB'000	31 December 2005 RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	4,152	6,446

15. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions with its related parties:

Name of company	Relationship	Nature of transactions	Six months ended 30 June	
			2006 RMB'000	2005 RMB'000
友嘉實業股份有限公司 Fair Friend Enterprise Company Limited	Ultimate holding company	Sales of goods	2,503	1,092
友佳實業(香港)有限公司 Good Friend (H.K.) Corporation Limited	Immediate holding company	Purchase of goods Sales of goods	8,945 931	79,355 -
杭州友維機電有限公司 Hangzhou Fair Fine Electric & Machinery Co., Ltd	Fellow subsidiary	Sales of goods Rental income	774 -	15 134
杭州友嘉高松機械有限公司 Hangzhou Feeler Takamatsu Machinery Co., Ltd.	Associate of ultimate holding company	Purchase of materials Sales of goods Rental income	23 391 -	- - 54
			-	54

Details of the balances with related parties are set out in the condensed consolidated balance sheet on page 4.

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2006 RMB'000	2005 RMB'000
Short-term benefits	1,329	204
Post-employment benefits	12	-
	1,341	204

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.