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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2398

Interim Report 2008

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

CHU Chih-Yaung *(Chairman)*
CHEN Hsiang-Jung *(Chief Executive Officer)*
CHEN Min-Ho
WEN Chi-Tang
CHIU Rung-Hsien

Independent Non-Executive Directors

KOO Fook Sun, Louis
CHIANG Chun-Te
YU Yu-Tang

COMPANY SECRETARY

LO Tai On

QUALIFIED ACCOUNTANT

YIP Sai Keung, Esmond *FCPA, FCCA*

AUTHORISED REPRESENTATIVES

CHEN Hsiang-Jung
CHIU Rung-Hsien

LEGAL ADVISERS AS TO HONG KONG LAW

Woo Kwan Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2003, 20th Floor
Kai Tak Commercial Building
317-319 Des Voeux Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 120 Shixin North Road
Xiaoshan Economic and Technological Development Zone
Xiaoshan District
Hangzhou City
Zhejiang Province
The PRC

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Industrial and Commercial Bank of China
Bank of China
Hang Seng Bank Limited
Oversea-Chinese Banking Corporation Limited

STOCK CODE

2398

WEBSITE

http://www.goodfriend.hk

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 RMB268.0 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 continuing 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 as 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 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 and 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 65.9% 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 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 confidence in its future given that China's economy maintains 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 being 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 employed 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.

DISCLOSURE OF INTERESTS

Directors' interest in shares

As at 30 June 2008, the interests or short positions of the Directors or chief executive in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), are set out below:

1. *Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations*

Name of Director	Name of associated corporation	Nature of interest	Number and class of securities	Approximate percentage of shareholding
Mr. Chu Chih-Yaung	友嘉實業股份有限公司 (Fair Friend Enterprise Company Limited) ("Taiwan FF")	Beneficial owner	24,452,401 shares	15.53%
Mr. Chu Chih-Yaung *(Note 1)*	Taiwan FF	Spouse interest	4,771,925 shares	3.03%
Mr. Chu Chih-Yaung *(Note 2)*	Taiwan FF	Family interest	514,283 shares	0.33%
Mr. Chen Hsiang-Jung	Taiwan FF	Beneficial owner	4,815,841 shares	3.06%
Mr. Chu Chih-Yaung	友迦工業股份有限公司 (Fairskq (Taiwan) Co., Ltd.) *(Note 4)*	Beneficial owner	21,988 shares	0.22%
Mr. Chu Chih-Yaung *(Note 3)*	友迦工業股份有限公司 (Fairskq (Taiwan) Co., Ltd.) *(Note 4)*	Spouse interest	21,988 shares	0.22%
Mr. Chen Min-Ho	友迦工業股份有限公司 (Fairskq (Taiwan) Co., Ltd.) *(Note 4)*	Beneficial owner	43,976 shares	0.44%

Name of Director	Name of associated corporation	Nature of interest	Number and class of securities	Approximate percentage of shareholding
Mr. Chu Chih-Yaung	佑泰興實業股份有限公司 (Yu Thai Xin Ent. Co., Ltd.) *(Note 4)*	Beneficial owner	1,000 shares	0.01%
Mr. Chu Chih-Yaung *(Note 5)*	佑泰興實業股份有限公司 (Yu Thai Xin Ent. Co., Ltd.) *(Note 4)*	Spouse interest	1,000 shares	0.01%
Mr. Chu Chih-Yaung *(Note 6)*	友嘉國際股份有限公司 (Decaview Asia Corporation) *(Note 4)*	Spouse interest	50,000 shares	0.59%
Mr. Chen Hsiang-Jung	友嘉國際股份有限公司 (Decaview Asia Corporation) *(Note 4)*	Beneficial owner	10,000 shares	0.12%
Mr. Chu Chih-Yaung	Fair Fine (Hongzhou) Industrial Co., Ltd. *(Note 4)*	Beneficial owner	750 shares	0.03%
Mr. Chen Hsiang-Jung	Fair Fine (Hongzhou) Industrial Co., Ltd. *(Note 4)*	Beneficial owner	750 shares	0.03%

Notes:

1. Ms. Wang Tz-Ti (formerly known as Wang Jin-Zu) ("Ms. Wang"), the spouse of Mr. Chu Chih-Yaung ("Mr. Chu"), holds 3.03% of the issued share capital of Taiwan FF. Mr. Chu is deemed to be interested in all the shares held by Ms. Wang in Taiwan FF under the SFO.

2. Mr. Chu Yi-Chia, the son of Mr. Chu under the age of 18, holds 0.33% of the issued share capital of Taiwan FF. Mr. Chu is deemed to be interested in all the shares held by Mr. Chu Yi-Chia in Taiwan FF under the SFO.

3. Ms. Wang holds 0.22% of the issued share capital of Fairskq (Taiwan) Co., Ltd.. Mr. Chu is deemed to be interested in all the shares held by Ms. Wang in Fairskq (Taiwan) Co., Ltd. under the SFO.

4. These companies are non-wholly-owned subsidiaries of Taiwan FF and are therefore associated corporations of the Company for the purpose of the SFO.

5. Ms. Wang holds 0.01% of the issued share capital of Yu Thai Xin Ent. Co., Ltd.. Mr. Chu is deemed to be interested in all the shares held by Ms. Wang in Yu Thai Xin Ent. Co., Ltd. under the SFO.

6. Ms. Wang holds 0.59% of the issued share capital of Decaview Asia Corporation. Mr. Chu is deemed to be interested in all the shares held by Ms. Wang in Decaview Asia Corporation under the SFO.

Save as disclosed above, as at 30 June 2008, none of the Directors or chief executive of the Company had any interest in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

2. *Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations*

   As at 30 June 2008, none of the Directors or chief executive of the Company, had any short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' rights to acquire shares or debentures

At no time during the period were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or chief executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or its subsidiaries a party to any arrangement (other than the share option scheme as disclosed below) to enable the Directors to acquire such rights or benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Share option scheme

The Company adopted a share option scheme (the "Scheme") on 22 December 2005, pursuant to which the Board may, at its discretion, grant options to Directors and other eligible persons (as defined in the Scheme) to enable them to subscribe for shares of the Company as incentives and/or rewards for their contribution to the success of the Group. Particulars of the Scheme are summarised as follows:

(1) The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group must not exceed 10% of issued share capital of the Company as at the date of listing of the Company's shares on the Stock Exchange, i.e. 11 January 2006 (which were 280,000,000 shares) unless shareholders' approval has been obtained, and which must not in aggregate exceed 30% of the shares of the Company in issue from time to time.

As at the date of this report, the total number of shares available for issue under the Scheme is 28,000,000 shares, which represents 10% of the issued shares as at the date of listing of the Company's shares on the Stock Exchange.

(2) The maximum number of shares issued and to be issued upon exercise of the options granted to any eligible person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the issued shares from time to time.

(3) The subscription price for the shares under the Scheme shall be such price as the Board may in its absolute discretion determine at the time of grant of the option but the subscription price shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of the Board approving the grant of an option, which must be a business day ("Offer Date"); (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Company's shares.

(4) An option may be exercised in whole or in part in accordance with the terms of the Scheme at any time during the period commencing immediately after the business day on which the option is deemed to be granted and accepted in accordance with the Scheme ("Commencement Date") and expiring on such date of the expiry of the option as the Board of Directors may in its absolute discretion determine and which shall not exceed ten years from the Commencement Date but subject to the provisions for early termination thereof as set out in the Scheme.

(5) Upon acceptance of the option, the grantee shall pay HK$1 to the Company as consideration for the grant.

(6) The Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Scheme, i.e. 22 December 2005.

There has been no option granted since the adoption of the Scheme.

Substantial shareholders

As at 30 June 2008, the interests or short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

1. *Aggregate long position in the shares and underlying shares of the Company*

Name of shareholder	Nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Good Friend (H.K.) Corporation Limited ("Hong Kong GF")	Beneficial owner	252,000,000 shares *(Note)*	75%
Taiwan FF	Interest of controlled corporation	252,000,000 shares *(Note)*	75%
Morgan Stanley	Beneficial owner	24,000,000 shares	7.14%

Note: Hong Kong GF is owned as to approximately 99.99% by Taiwan FF. Taiwan FF is deemed to be interested in the long position of 252,000,000 shares of the Company held by Hong Kong GF under the SFO.

2. *Aggregate short position in the shares and underlying shares of the Company*

Name of shareholder	**Nature of interest**	**Number of ordinary shares held**	**Approximate percentage of the Company's issued share capital**
Hong Kong GF	Beneficial owner	24,000,000 shares *(Note)*	7.14%
Taiwan FF	Interest of controlled corporation	24,000,000 shares *(Note)*	7.14%

Note: Hong Kong GF is owned as to approximately 99.99% by Taiwan FF. Taiwan FF is deemed to be interested in the short position of 24,000,000 shares of the Company held by Hong Kong GF under the SFO.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2008.

OTHER INFORMATION

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.

Internal control

The Board is responsible for the Group's system of internal control and has the responsibility for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. The results and findings of the internal control review will be covered at the Company's annual report in this year.

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.

Nomination committee

The Company established a nomination committee (the "Nomination Committee"), with written terms of reference, on 22 December 2005 in compliance with the CG Code and consists of two independent non-executive Directors, namely Mr. Koo Fook Sun, Louis (as chairman) and Mr. Chiang Chun-Te, and one executive Director, namely Mr. Chen Hsiang-Jung.

The functions of the Nomination Committee are reviewing and supervising the structure, size and composition of the Board, identifying qualified individuals to become members of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors.

Remuneration committee

The Company established a remuneration committee (the "Remuneration Committee"), with written terms of reference, on 22 December 2005 in compliance with the CG Code and consists of two independent non-executive Directors, namely Mr. Koo Fook Sun, Louis (as chairman) and Mr. Chiang Chun-Te, and one executive Director, namely Mr. Chen Hsiang-Jung.

The functions of the Remuneration Committee are establishing and reviewing the policy and structure of the remuneration for the Directors and senior management.

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

Hong Kong, 18 September 2008

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the interim financial information set out on pages 17 to 28 which comprises the condensed consolidated balance sheet of Good Friend International Holdings Inc. as of 30 June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six months then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 September 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Six months ended 30 June	
	NOTES	**2008** *RMB'000* **(unaudited)**	2007 *RMB'000* (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	9	**135,584**	122,040
Deposits for purchase of plant and equipment	9	**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	10	**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	11	**205,599**	186,061
Amounts due to customers for contract work		**3,970**	5,273
Warranty provision		**4,287**	4,379
Bank borrowings	12	**79,828**	64,661
		293,684	260,374
Net current assets		**184,363**	170,513
		383,782	347,577
Capital and reserves			
Share capital	13	**3,431**	3,431
Reserves		**380,351**	344,146
		383,782	347,577

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Share capital	Share premium	Special reserve	General reserve	Enterprise expansion reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(Note 1)	*(Note 2)*	*(Note 2)*		
At 1 January 2007 (audited)	2,882	67,145	77,338	12,100	6,050	131,337	296,852
Profit for the period and total income recognised for the period	–	–	–	–	–	41,286	41,286
Bonus issue of shares	549	(549)	–	–	–	–	–
Dividend paid	–	–	–	–	–	(14,000)	(14,000)
Appropriations	–	–	–	6,078	3,039	(9,117)	–
At 30 June 2007 (unaudited)	3,431	66,596	77,338	18,178	9,089	149,506	324,138
At 1 January 2008 (audited)	3,431	66,596	77,338	18,178	9,089	172,945	347,577
Profit for the period and total income recognised for the period	–	–	–	–	–	36,205	36,205
Appropriations	–	–	–	9,912	–	(9,912)	–
At 30 June 2008 (unaudited)	3,431	66,596	77,338	28,090	9,089	199,238	383,782

Notes:

1. Special reserve represents the difference between the paid-in capital/share capital and share premium of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation.

2. The Articles of Association of the respective subsidiaries in the People's Republic of China (the "PRC") requires the appropriation of certain percentage of its profit after tax prepared in accordance with the PRC accounting standards each year to the general reserve and enterprise expansion reserve as determined by its board of directors. The general reserve and enterprise expansion reserve and shall only be used for making up losses, capitalisation into share capital, and expansion of the production and operation.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	**(6,011)**	16,192
Investing activities		
Purchase of property, plant and equipment	**(20,866)**	(9,270)
Deposit paid for acquisition of property, plant and equipment	**(6,890)**	(607)
Deposit paid for acquisition of land use right	**–**	(19,200)
Proceeds from disposal of property, plant and equipment	**419**	69
Decrease in fixed bank deposits	**–**	4,983
Other investing cash flows	**(2,146)**	(1,268)
Net cash used in investing activities	**(29,483)**	(25,293)
Financing activities		
Repayments of bank borrowings	**(160,414)**	(88,370)
Dividend paid	**–**	(14,000)
Proceeds from bank borrowings	**175,581**	102,987
Other financing cash flows	**(2,458)**	(1,219)
Net cash from (used in) financing activities	**12,709**	(602)
Net decrease in cash and cash equivalents	**(22,785)**	(9,703)
Cash and cash equivalents at beginning of the period	**52,010**	69,218
Cash and cash equivalents at end of the period, representing bank balances and cash	**29,225**	59,515

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008

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 RMB'000	Six months ended 30 June 2007 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 RMB'000	Six months ended 30 June 2007 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 RMB'000	Six months ended 30 June 2007 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

6. INCOME TAX EXPENSE (Continued)

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 as the amount is insignificant.

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. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

During the period ended 30 June 2007, RMB 15.9 million of plant and equipment were transferred from deposits for purchase of plant and equipment (30 June:2008: Nil) and deposits of RMB607,000 (30 June 2008:6.9 million) were paid for acquisition of property, plant and equipment. In addition, deposits of RMB 19.2 million were paid for acquisition of land use right (30 June 2008: Nil)

During the current period, the Group disposed of certain plant and equipment with carrying amount of approximately RMB438,000 (30 June 2007: RMB226,000) for sale proceeds of RMB 419,000, resulting in a loss of disposal of RMB19,000 (30 June 2007: RMB157,000) during the period.

The Group spent approximately RMB16.2 million (30 June 2007:RMB1.3 million) on the construction in progress and RMB4.7 million (30 June 2007: RMB23.8 million) on additions to its existing manufacturing plant in order to upgrade its manufacturing facilities.

10. 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.

11. 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

12. BANK BORROWINGS

During the current period, the Group obtained new bank loans of approximately RMB175.6 million (30 June 2007: RMB103.0 million) and repaid bank loans of approximately RMB160.4 million (30 June 2007: RMB88.4 million). The loans bear interest at market rates ranging from 2.82% to 12.46% per annum (30 June 2007: 5.30% to 6.47% per annum) and will be repayable in 2008. The proceeds were used to finance daily operations.

13. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 December 2007, 1 January 2008 and 30 June 2008	1,000,000,000	10,000
Issued and fully paid:		
At 31 December 2007, 1 January 2008 and 30 June 2008	336,000,000	3,360

	30 June 2008 ***RMB'000***	31 December 2007 *RMB'000*
Shown in the consolidated financial statements as	**3,431**	3,431

14. CAPITAL COMMITMENTS

	30 June 2008 ***RMB'000***	31 December 2007 *RMB'000*
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**18,405**	22,926

15. RELATED PARTY TRANSACTIONS

During the period and as at the balance sheet date, the Group had the following transactions and balances with its related parties:

Transactions

Name of company	Relationship	Nature of transactions	Six months ended 30 June 2008 RMB'000	Six months ended 30 June 2007 RMB'000
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	**714**	–
		Sales of goods	**–**	4
友迦工業股份有限公司 Fairskq (Taiwan) Co., Ltd.	Associate of ultimate holding company	Sales of goods	**182**	–
富裕佳有限公司 Richest Way Limited ("Richest Way")	Director is a relative of a director of the Company	Purchase of goods	**–**	40,125
		Repair and maintenance expenses	**–**	149
協利國際有限公司 Profit Group International Limited	Directors are relatives of a director of the Company	Sales of goods	**–**	7,390
巨利多(香港)有限公司 Giantful Corporation Limited	Director is a relative of a director of the Company	Sales of materials	**–**	282

15. RELATED PARTY TRANSACTIONS (Continued)

Balances

Name of company	Relationship	Nature of balances	30 June 2008 RMB'000	31 December 2007 RMB'000
友迦工業股份有限公司 Fairskq (Taiwan) Co., Ltd.	Associate of ultimate holding company	Other receivables	**182**	–

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 2008 RMB'000	Six months ended 30 June 2007 RMB'000
Short-term benefits	**1,373**	1,318
Post-employment benefits	**–**	16
	1,373	1,334

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