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 2016

The board (the "Board") of directors (the "Directors") of Good Friend International Holdings Inc. (the "Company") presents the consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 and the Group's consolidated statement of financial position at 31 December 2016, together with the relevant comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	**2016** ***RMB'000***	2015 *RMB'000*
Revenue	*3*	**1,082,336**	990,239
Cost of revenue	*3*	**(787,185)**	(722,314)
Gross profit		**295,151**	267,925
Other income	*4*	**45,643**	39,797
Distribution and selling expenses		**(122,398)**	(122,494)
Administrative expenses		**(112,639)**	(115,895)
Other operating expenses		**(1,825)**	(4,023)
Finance costs	*5*	**(9,897)**	(8,734)
Share of loss of joint ventures		**(476)**	(1,387)
Share of (loss) profit of associates		**(5,909)**	101
Gain on deemed disposal of available-for-sale financial asset		**–**	662

	NOTES	**2016** **RMB'000**	2015 RMB'000
Profit before income tax	*6*	**87,650**	55,952
Income tax expense	*7*	**(26,901)**	(9,855)
Profit attributable to equity holders of the Company		**60,749**	46,097
Other comprehensive income (loss):			
Items that will not be reclassified to profit or loss:			
Share of other comprehensive loss of associates		**(1,352)**	–
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income (loss) of associates		**5,726**	(4,318)
Exchange difference arising on translation of foreign operations		**6,602**	157
Total comprehensive income for the year, attributable to equity holders of the Company		**71,725**	41,936
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)	*8*		
– Basic and diluted earnings per share		**0.15**	0.11
Dividends	*9*	**12,096**	24,192

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	NOTES	2016 RMB'000	2015 RMB'000
Non-current assets			
Prepaid lease payments		**121,148**	35,658
Property, plant and equipment		**195,332**	216,383
Intangible assets		**3,431**	3,251
Investments in joint ventures		**16,494**	16,970
Investments in associates		**385,655**	310,959
Deferred income tax assets		**21,701**	6,310
		743,761	589,531
Current assets			
Inventories		**202,828**	250,076
Debtors, deposits and prepayments	*10*	**499,083**	449,745
Prepaid lease payments		**2,707**	940
Amounts due from customers for contract work		**40,692**	36,717
Amount due from ultimate holding company		**2,110**	–
Amounts due from fellow subsidiaries and associates of ultimate holding company		**2,518**	1,277
Amounts due from joint ventures		**922**	717
Amounts due from associates and subsidiaries of an associate		**81,629**	60,841
Restricted bank deposits		**33,163**	172,613
Cash and cash equivalents		**177,946**	101,583
		1,043,598	1,074,509

	NOTES	2016 RMB'000	2015 RMB'000
Current liabilities			
Amounts due to customers for contract work		**31,682**	15,576
Creditors, other payables and accrued charges	*11*	**490,737**	447,313
Amount due to ultimate holding company		**2,388**	160
Amount due to immediate holding company		**619**	1,856
Amounts due to fellow subsidiaries and associates of ultimate holding company		**5,503**	21,664
Amounts due to an associate and subsidiaries of an associate		**7,981**	10,389
Amounts due to joint ventures		**192**	317
Current income tax liabilities		**26,219**	7,858
Bank borrowings		**350,772**	408,677
Warranty provision		**6,018**	5,791
		922,111	919,601
Net current assets		**121,487**	154,908
Total assets less current liabilities		**865,248**	744,439
Non-current liabilities			
Deferred revenue		**61,180**	–
Net assets		**804,068**	744,439
Capital and Reserves			
Share capital		**4,022**	4,022
Share premium		**82,281**	82,281
Capital reserves		**77,338**	77,338
Other reserves		**61,248**	48,905
Retained earnings		**579,179**	531,893
Total equity		**804,068**	744,439

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL

Good Friend International Holdings Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") are engaged in the design and production of computer numerical control machine tools, three dimensional car parking garage structures and forklift trucks.

The Company was incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's shares have been listed on the Main Board of the Stock Exchange since 11 January 2006. In addition, 67,200,000 units of Taiwan depositary receipts ("TDRs"), representing 67,200,000 newly issued shares of the Company, were issued and listed on the Taiwan Stock Exchange Corporation ("Taiwan Stock Exchange") on 18 March 2010. Good Friend (H.K.) Corporation Limited, a company incorporated in Hong Kong, and Fair Friend Enterprise Company Limited, a company incorporated in Taiwan, are the immediate holding company and the ultimate holding company, respectively.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Application of new and revised HKFRSs:

The following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The application of above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

(b) New and revised HKFRSs in issue but not yet effective:

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 Cycle[5]

[1] *Effective for annual periods beginning on or after 1 January 2018*
[2] *Effective for annual periods beginning on or after 1 January 2019*
[3] *Effective for annual periods beginning on or after a date to be determined*
[4] *Effective for annual periods beginning on or after 1 January 2017*
[5] *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate*

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities and general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 are described as follows:

- all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company do not anticipate that the application of HKFRS 9 will have a material effect on the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company is still in the midst of assessing the financial impact of the application of HKFRS 15.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB9,298,000. HKAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information should be disclosed. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the directors of the Company are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors (the "Executive Directors") of the Company. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports reviewed by the Executive Directors that are used to make strategic decisions.

The Executive Directors consider that the Group has three reportable segments: (1) machine tools; (2) parking garage structure; and (3) forklift trucks.

The Executive Directors assess the performance of the operating segments based on their respective gross profit.

The Group does not allocate distribution and selling expenses, administrative expenses, other operating expenses or assets to its segments, as the Executive Directors do not use this information to allocate resources to or evaluate the performance of the operating segments. Therefore, the Group does not report a measure of profit and total assets for each reportable segment.

	Machine Tools *RMB'000*	**Parking Garage Structures** *RMB'000*	**Forklift Trucks** *RMB'000*	**Total Group** *RMB'000*
For the year ended 31 December 2016				
Revenue (all from external sales)	**760,047**	**236,048**	**86,241**	**1,082,336**
Cost of revenue	**(533,638)**	**(175,632)**	**(77,915)**	**(787,185)**
Segment profit	**226,409**	**60,416**	**8,326**	**295,151**

	Machine Tools *RMB'000*	Parking Garage Structures *RMB'000*	Forklift Trucks *RMB'000*	Total Group *RMB'000*
For the year ended 31 December 2015				
Revenue (all from external sales)	671,863	229,610	88,766	990,239
Cost of revenue	(468,722)	(172,511)	(81,081)	(722,314)
Segment profit	203,141	57,099	7,685	267,925

Majority of the Group's operations and assets are located in the PRC and the Group mainly sells to the PRC market. No customers contributed over 10% of total revenue for each of the years.

4. OTHER INCOME

	2016 ***RMB'000***	2015 *RMB'000*
Sale of scrap materials	**8,890**	3,865
Government grants and subsidies related to income*	**18,397**	5,487
Repair income	**8,509**	8,201
Rental income	**708**	3,412
Interest income	**8,201**	14,193
Others	**938**	4,639
	45,643	39,797

* Government grants and subsidies mainly represent the refund of value-added tax in relation to software embedded in the sales of machine tools and parking garage structures. These grants and subsidies are accounted for as immediate financial support with neither future related costs expected to be incurred nor related to any assets. The Group recognised the government grants and subsidies in the consolidated statement of profit or loss and other comprehensive income when it has fulfilled all the conditions specified in the subsidy notice or relevant law and regulations.

5. FINANCE COSTS

	2016 ***RMB'000***	2015 *RMB'000*
Interest expense:		
– Bank borrowings	**9,897**	8,734

6. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	2016 *RMB'000*	2015 *RMB'000*
Directors and chief executives' remuneration	**2,185**	2,128
Other staff costs	**133,352**	135,950
Other staff's retirement benefits scheme contributions	**4,614**	4,915
Total staff costs	**140,151**	142,993
Auditor's remuneration	**1,972**	1,408
Cost of inventories recognised as an expense	**692,131**	627,647
Depreciation of property, plant and equipment	**25,342**	26,081
Amortisation of intangible assets	**1,233**	983
Allowance for doubtful debts	**(2,720)**	2,016
Allowance for inventories	**1,550**	7,791
Warranty expenses	**5,044**	5,121
Direct operating expenses incurred for rental income	**1,220**	1,947
Loss on disposal of property, plant and equipment	**341**	201
Net exchange loss	**10,800**	19,196
Research and development costs recognised as expense*	**23,399**	17,253

* The amount disclosed above does not include depreciation of property, plant and equipment, amortisation of intangible assets and staff costs charged to research and development cost recognised as expense amounting to RMB1,001,000, RMB428,000 and RMB11,918,000 (2015: RMB1,183,000, RMB224,000 and RMB13,722,000) respectively. Such expenses are included in their corresponding headings within this note.

7. INCOME TAX EXPENSE

	2016 *RMB'000*	2015 *RMB'000*
Current tax		
– Current year	**35,037**	16,301
– Under (over) provision in prior years	**610**	(6,280)
	35,647	10,021
PRC withholding tax	**6,645**	–
Deferred tax credit	**(15,391)**	(166)
	26,901	9,855

No provision for Cayman Islands profits tax has been made as the Group did not have any assessable profits arising in Cayman Islands for both years.

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong for both years.

Enterprise income tax ("EIT") is provided at 25% for enterprises in the PRC except for Hangzhou Good Friend Precision Machinery Co., Ltd. ("Hangzhou Good Friend"). Hangzhou Good Friend renewed its New and High-Tech Enterprise status in 2014, which has been approved by the relevant government authorities, and it is entitled to a reduced tax rate of 15% for a three-year period commencing 2014. Accordingly, the applicable tax rate for Hangzhou Good Friend in 2016 is 15% (2015: 15%).

8. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company of RMB60,749,000 (2015: RMB46,097,000) by the number of ordinary shares in issue 403,200,000 (2015: 403,200,000).

	2016	2015
Basic and diluted earnings per share *(RMB per share)*	**0.15**	0.11

There were no potential dilutive shares in issue for both years.

9. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2015 final – RMB0.03 (2015: 2014 final dividend RMB0.06) per ordinary share	**12,096**	24,192

At a meeting of the board of directors held on 30 March 2017, the directors of the Company resolved not to recommend a final dividend for the year ended 31 December 2016 (2015: RMB0.03 per ordinary share).

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	2016 *RMB'000*	2015 *RMB'000*
Trade debtors and bills receivables	**484,785**	444,978
Less: provision for impairment of trade receivables	**(33,792)**	(36,512)
Trade debtors and bills receivables – net	**450,993**	408,466
Prepayments	**19,521**	16,033
Others	**28,569**	25,246
Total debtors, deposits and prepayments	**499,083**	449,745

The Group generally allows a credit period of 30 to 180 days to its customers. The Group also allows its customers to retain certain percentage of the outstanding balances as retention money for a one or two-year warranty period of the products sold.

As of 31 December 2016, trade debtors of RMB33,792,000 (2015: RMB36,512,000) of the Group were impaired and provided for. The individually impaired receivables mainly relate to customers which are in unexpected financial difficulties. The ageing of these receivables based on due date is as follows:

	2016 *RMB'000*	2015 *RMB'000*
0 – 30 days	**2,211**	4,884
31 – 60 days	**–**	748
61 – 90 days	**–**	931
91 –180 days	**–**	1,411
Over 180 days	**31,581**	28,538
	33,792	36,512

11. CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES

	2016	2015
	RMB'000	*RMB'000*
Trade creditors	**203,499**	177,863
Advance deposits from customers	**194,990**	184,316
Other payables	**50,888**	40,782
Accrued expenses	**41,360**	44,352
Total creditors, other payables and accrued charges	**490,737**	447,313

The Group normally receives credit terms of 30 to 60 days. At 31 December 2016 and 2015, the ageing analysis of the trade payables was as follows:

	2016	2015
	RMB'000	*RMB'000*
Current – 30 days	**134,078**	119,353
31 – 60 days	**48,156**	34,725
61 – 90 days	**5,219**	3,979
91 –180 days	**3,062**	4,921
Over 180 days	**12,984**	14,885
	203,499	177,863

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The growth rate of China's economy further slowed down in 2016. According to the economic data released by the National Bureau of Statistics of China, China's gross domestic product ("GDP") in 2016 grew by 6.5% when compared to 2015, and the economy is still in a period of deep adjustment. Despite that, sales orders of the mainstream product of the Group CNC machine tools business were not affected by that. For the year ended 31 December 2016, sales volume and sales revenue of CNC machine tools amounted to 1,611 units and approximately RMB760.05 million respectively, both representing an increase when compared to 2015. Moreover, the gross profit margin of CNC machine tools business maintained at approximately 29.8% during the year. This was attributable to the stable raw material prices during the year.

During the year, the Group continued to offer high-end CNC machine tools products to the customers. The sales of high-end CNC machine tools products produced by German and Italian manufacturers accounted totally for approximately RMB 66.5 million during the year, representing approximately 8.7% of the Group's sales of CNC machine tools business.These high-end products could optimise the product portfolio of the Group, and strengthen its core competitiveness.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2016, the Group recorded revenue of approximately RMB1,082.34 million, representing an increase of approximately 9.3% as compared to 2015. During the year, sales volume of CNC machine tools, parking garage structures and forklift trucks amounted to 1,611 units, 17,529 units and 1,433 units respectively (2015 comparative figures: 1,587 units, 15,368 units and 1,492 units). CNC machine tools remained the major source of the Group's revenue. During the year, sales revenue of CNC machine tools business amounted to approximately RMB760.05 million, representing an increase of approximately 13.1% as compared to 2015. Revenue of CNC machine tools accounted for approximately 70.2% of the Group's total revenue. On the other hand, sales revenue of the Group's parking garage structures business amounted to approximately RMB236.05 million during the year, representing an increase of approximately 2.8% as compared to 2015 and accounted for approximately 21.8% of the total revenue. Moreover, sales revenue of the Group's forklift trucks business during the year decreased by approximately 2.8%, as compared to 2015, to approximately RMB86.24 million and approximately 8.0% of the Group's total revenue.

Gross profit and margin

For the year ended 31 December 2016, gross profit of the Group amounted to approximately RMB295.15 million. Overall gross profit margin was approximately 27.3%, compared to 27.1% for 2015. The gross profit margin of CNC machine tools (the Group's major product) during the year remained at approximately 29.8%. As a result, the overall gross profit margin for the year remained fairly stable as compared to 2015.

Distribution and selling expenses

Distribution and selling expenses, amounted to approximately RMB122.40 million for the year ended 31 December 2016, remained fairly stable as compared to last year. During the year, distribution and selling expenses as a percentage of the Group's revenue amounted to approximately 11.3%, compared to approximately 12.4% for 2015.

Administrative expenses

Administrative expenses for the year ended 31 December 2016 decreased by approximately 2.8% as compared to 2015. This was mainly attributable to the stringent control of the corresponding expenses by the management.

Finance costs

During the year, finance costs increased to approximately RMB9.90 million. The increase was primarily due to the increase of average bank borrowings of the Group during 2016.

Share of loss of associates

For the year ended 31 December 2016, share of loss of associates amounted to approximately RMB5.91 million. The amount represented the Group's share of operating results of the associate "FFG Europe" (located in Italy), the associate "FFG European and American" (located in Germany), and the associate "FFG Werke" (located in Germany) during the year.

Profit attributable to the equity holders of the Company

For the year ended 31 December 2016, profit attributable to the equity holders of the Company amounted to approximately RMB60.75 million, representing an increase of approximately 31.8% as compared to 2015.

Liquidity and financial resources

As at 31 December 2016, the Group had net current assets of approximately RMB121.49 million (2015: RMB154.91 million), shareholders' fund of approximately RMB804.07 million (2015: RMB744.44 million) and short-term bank borrowings of approximately RMB350.77 million (2015: RMB408.68 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 2016 amounted to approximately RMB177.95 million (2015: RMB101.58 million). The current ratio (ratio of total current assets to total current liabilities) of the Group was approximately 1.1 times (2015: 1.2 times). The gearing ratio (ratio of total debts to total assets) was approximately 19.6% (2015: 24.6%), indicating that the Group continued to maintain solid financial position.

Capital structure and treasury policies

The share capital of the Company as at 31 December 2016 was HK$4,032,000 divided into 403,200,000 shares of HK$0.01 each (at 31 December 2015: HK$4,032,000 divided into 403,200,000 shares of HK$0.01 each).

The Group generally finances its operations with internally generated cash flows and loans facilities provided by banks. As at 31 December 2016, the total outstanding short-term borrowings stood at approximately RMB350.77 million (2015: RMB408.68 million). Borrowing methods used by the Group mainly include bank loans. The Group had no interest rate hedging arrangement during the year.

Staff and remuneration policies

As at 31 December 2016, the Group employed a total of 1,300 (2015: 1,320) full-time employees in Hong Kong and China. The total staff costs (including Directors' fee and emoluments) amounted to approximately RMB140.15 million (2015: RMB142.99 million). The salary review policies of the Group are determined with reference to the market trends, future plans and the performance of individuals in various aspects and are reviewed periodically.

The Company had adopted a share option scheme for the purpose of providing incentive and rewards to eligible participants for their contributions to the Group. No share option was granted by the Group since its adoption.

The employees of the Company's subsidiaries join a state-managed social welfare scheme operated by the local government of China and the employees in Hong Kong participate in the Mandatory Provident Fund Scheme. During the year under review, the Group contributed approximately RMB4.61 million (2015: RMB4.92 million) to the said schemes.

Capital commitments and contingencies

The Group had made no capital expenditure commitments for property, plant and equipment (2015: RMB0.63 million) which are contracted but not provided in the financial statements and had no capital contribution commitments to any associates (2015: RMB67.40 million). The Group had no material contingent liabilities as at 31 December 2016 (2015: Nil).

Charges on the Group's assets

As at 31 December 2016, restricted bank deposits with an amount of approximately RMB33.16 million (2015: RMB172.61 million) represented mainly deposits placed in banks for guarantees issued for finance facilities used by the Group.

Meanwhile, subsidiaries of the Company pledged its land and buildings with an aggregate carrying amount of approximately RMB12.60 million (2015: RMB15.26 million) to secure general banking facilities granted to them. As at 31 December 2016, the subsidiaries have utilized such secured bank facilities of RMB1.83 million (2015: Nil).

Foreign exchange risk

The Group mainly operates in China. During the year ended 31 December 2016, 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 had no hedging activities during the year. Foreign exchange risks arising from fluctuation of exchange rates of foreign currencies are managed by the Group using foreign exchange forward contracts when necessary.

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.

PROSPECTS

China's economy continued to sail on against the wind. Looking ahead to 2017, which marks the second year of its "13th Five-Year" Planning, China's economy will still face challenges. China is still the engine of global economic growth, China is the largest machine tools consuming country. It is anticipated that the demand of machine tools from the industries of high-speed railway, transit rails, aerospace, and energy in China, especially demand of those high-end CNC machine tools, would still be great. This in turn will benefit the Group's CNC machine tools business. The Group will continue to explore and sell those high-end CNC machine tools products (production of such primarily from Italy and Germany) to the customers. The management believes that with its extensive sales network and comprehensive after-sales service, solid business foundation as well as outstanding product quality, the Group is capable of meeting customers' different needs and continue to strengthen its market position.

Looking ahead, with the current complex economic environment, the Group will continue to strengthen its business foundation under a consistent cautions manner under tough market environment, in order to weather against the volatility and uncertainty of the market condition ahead. On the other hand, the management will continue to look for appropriate investing projects or acquisition activities so as to increase the competitive edge of the Group. The Group is committed to becoming an international CNC machine tools manufacturer. The management is optimistic on the long-term development prospects of the Group.

The management will also strive to control operating costs for achieving better operating results, in order to bring favorable returns to the shareholders of the Company.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank all the staff and management team for their hard work in the past year. I would also like to express heartfelt thanks to all of the customers and suppliers.

FINAL DIVIDEND

The Board proposes to preserve cash for development of the Group and does not recommend a final dividend for the year ended 31 December 2016 (2015: RMB0.03 per ordinary share).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted its corporate governance practices which are reproduced from the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and has reviewed and updated regularly to follow the latest practices in corporate governance. During the year under review, the Company has complied with the code provisions set out in the CG Code except for the following deviation.

Code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting. The chairman of the Board was unable to attend the annual general meeting of the Company held on 2 June 2016 due to his business trip and Mr. Chen Hsiang-Jung, an executive Director, took the chair of the annual general meeting pursuant to the articles of association of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules for securities transaction by the Directors. Upon enquiry by the Company, all Directors have confirmed that, for the year ended 31 December 2016, they have complied with the required standards set out in the Model Code regarding securities transactions by the Directors.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code. The duties of the Audit Committee includes review and supervise the financial reporting process and risk management and internal control systems 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 with the management the consolidated financial statements of the Group for the year ended 31 December 2016.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2016.

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

Hong Kong, 30 March 2017

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