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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)

SUPPLEMENTAL ANNOUNCEMENT ON THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of Good Friend International Holdings Inc. (the “Company”, together with its subsidiaries, the “Group”) dated 31 March 2020 (the “2019 Annual Results Announcement”) in relation to the unaudited annual results of the Group for the year ended 31 December 2019 (the “2019 Unaudited Annual Results”).

AGREEMENT WITH THE AUDITORS ON THE 2019 ANNUAL RESULTS

The Board is pleased to announce that the Group’s auditor, RSM Hong Kong, has completed its audit of the annual results of the Group for the year ended 31 December 2019 (the “2019 Audited Annual Results”) in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The following set forth the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2019, the audited consolidated statement of financial position of the Group as at 31 December 2019, the relevant corresponding figures shown in the 2019 Unaudited Annual Results and the relevant changes between the audited and the unaudited figures:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000 (Audited)	2019 RMB'000 (Unaudited)	Change RMB'000
Revenue	(a)	910,695	915,658	(4,963)
Cost of revenue	(b)	(701,597)	(695,568)	6,029
Gross profit		209,098	220,090	(10,992)
Other income	(c)	157,038	149,432	7,606
Distribution and selling expenses	(d)	(121,928)	(124,978)	(3,050)
Administrative expenses	(e)	(71,562)	(78,345)	(6,783)
Research and development costs		(29,086)	(29,086)	–
Reversal of impairment/(impairment loss) on trade receivables and contract assets		3,009	3,858	(849)
Other gains and losses		(7,547)	(7,547)	–
Other expenses		(22,805)	(22,805)	–
Other operating expenses		(1,297)	(1,297)	–
Finance costs		(24,744)	(24,839)	(95)
Share of profit of joint ventures		1,141	1,141	–
Share of loss of associates	(f)	(57,089)	(51,424)	5,665
Profit/(loss) before tax		34,228	34,200	28
Income tax expense		(22,069)	(21,615)	454
Profit/(loss) attributable to owners of the Company		12,159	12,585	(426)
Other comprehensive income:				
<i>Item that may be reclassified to profit or loss:</i>				
Exchange difference arising on translation of foreign operations	(h)	(4,790)	(5,096)	(306)
Net fair value gain on receivables at fair value through other comprehensive income (“FVTOCI”)		246	246	–
Share of other comprehensive income of associates	(h)	12,637	14,009	(1,372)
		8,093	9,159	(1,066)
<i>Item that will not be reclassified to profit or loss:</i>				
Share of other comprehensive income of associates	(h)	(28,080)	(29,799)	(1,719)
Total comprehensive income attributable to owners of the Company		(7,828)	(8,055)	(227)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<i>Notes</i>	2019 RMB'000 (Audited)	2019 <i>RMB'000</i> (Unaudited)	Change <i>RMB'000</i>
Non-current assets				
Property, plant and equipment		218,344	218,344	–
Right-of-use assets	<i>(i)</i>	124,371	120,147	4,224
Prepaid lease payments		–	–	–
Intangible assets		1,407	1,407	–
Investments in joint ventures		21,646	21,647	(1)
Investments in associates	<i>(h)</i>	392,326	397,335	(5,009)
Deferred tax assets		27,991	27,991	–
		786,085	786,871	(786)
Current assets				
Inventories		493,053	493,858	(805)
Trade and other receivables and prepayments	<i>(g)</i>	227,096	222,885	4,211
Contract assets		44,399	45,448	(1,049)
Loans receivable		48,394	48,394	–
Receivables at FVTOCI		101,945	101,945	–
Prepaid lease payments		–	–	–
Amounts due from fellow subsidiaries and associates of ultimate holding company		6,248	6,420	(172)
Amounts due from joint ventures		512	512	–
Amounts due from associates and subsidiaries of an associate		235,155	235,155	–
Restricted bank balances		106,333	106,702	(369)
Financial assets at fair value through profit or loss ("FVTPL")		–	–	–
Bank and cash balances		74,860	74,491	369
		1,337,995	1,335,810	2,185

	<i>Notes</i>	2019 RMB'000 (Audited)	2019 <i>RMB'000</i> (Unaudited)	Change <i>RMB'000</i>
Current liabilities				
Trade and other payables and accrued expenses		389,300	389,108	192
Contract liabilities		300,336	300,208	128
Deferred income	<i>(j)</i>	1,410	–	1,410
Amount due to ultimate holding company		157	285	(128)
Amount due to immediate holding company		815	815	–
Amounts due to fellow subsidiaries and associates of ultimate holding company		2,457	2,453	4
Amounts due to joint ventures		380	380	–
Amounts due to an associate and subsidiaries of an associate		23,481	23,481	–
Lease liabilities	<i>(i)</i>	2,486	–	2,486
Provision for litigation claim		60,117	60,117	–
Refund liabilities		100,903	100,903	–
Current tax liabilities		17,445	16,990	455
Bank and other borrowings		400,071	400,071	–
Warranty provision		4,019	4,019	–
		1,303,377	1,298,830	4,547
Net current assets		34,618	36,980	(2,362)
Total assets less current liabilities		820,703	823,851	(3,148)
Non-current liabilities				
Bank and other borrowings		36,760	36,760	–
Deferred income	<i>(j)</i>	73,680	78,839	(5,159)
Lease liabilities	<i>(i)</i>	1,784	–	1,784
		112,224	115,599	(3,375)
Net Assets		708,479	708,252	227
Capital and reserves				
Share capital		4,021	4,021	–
Share premium		82,183	82,183	–
Capital reserves		77,338	77,338	–
Other reserves		66,454	67,520	(1,066)
Retained earnings		478,483	477,190	1,293
Total Equity		708,479	708,252	227

The overall 2019 Audited Annual Results remain substantially the same as the 2019 Unaudited Annual Results, except for the major changes and reclassifications with details set out below:

Notes:

(a) Revenue

Tax not related to sales (RMB5 million) reclassified from administrative expenses.

(b) Cost of revenue

- (i) Reversal of cost of revenue (RMB3 million); offset by
- (ii) Additional provision of inventories (RMB3.3 million); and
- (iii) Provision of inventories (RMB1.8 million) reclassified from administrative expenses;
- (iv) Additional provision of warranty (RMB2.9 million) reclassified from distribution and selling expenses; and
- (v) RMB1 million reclassified from prepayments.

(c) Other income

- (i) Deferred income (RMB3.7 million) recognised as other income in profit or loss; offset by
- (ii) RMB3.9 million reclassified from reversal of impairment loss on trade receivables and contract assets.

(d) Distribution and selling expenses

- (i) Additional provision of warranty (RMB2.9 million) reclassified to cost of revenue; and
- (ii) Depreciation of right-of-use assets for leased properties (RMB2.7 million); offset by
- (iii) Actual lease payments and accruals amounted to RMB2.8 million reclassified to lease liabilities.

(e) Administrative expenses

- (i) Tax not related to sales (RMB5 million) reclassified to revenue; and
- (ii) Provision of inventories (RMB1.8 million) reclassified to cost of revenue.

(f) Share of loss of associates

Additional share of loss of associates (RMB5.7 million).

(g) Trade and other receivables and prepayments

- (i) Additional of reversal of impairment loss on trade receivables (RMB3.2 million); and
- (ii) RMB1 million reclassified to cost of revenue.

(h) Investments in associates

- (i) Additional share of loss of associates (RMB5.7 million); offset by
- (ii) Exchange difference arising on translation of foreign operations (RMB0.3 million); and
- (iii) Share of other comprehensive income of associates (RMB0.4 million).

(i) Right-of-use assets and lease liabilities

- (i) Related right-of-use assets (RMB4.2 million); and
- (ii) Lease liabilities (RMB4.3 million)

(j) Deferred income

- (i) Deferred income (RMB3.7 million) recognised as other income in profit or loss; and
- (ii) RMB1.4 million reclassified to current liabilities.

The 2019 annual report of the Company containing all the applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the websites of Hong Kong Exchanges and Clearing Limited and the Company on or before 15 May 2020.

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

Hong Kong, 12 May 2020

As at the date of this announcement, the Board of the Company comprises (i) four executive directors, namely Mr. Chu Chih-Yaung, 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. Yu Yu-Tang and Mr. Kao Wen-Cheng.