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 RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

INTERIM RESULTS

The board of directors (the "Board") of Good Friend International Holdings Inc. (the "Company") presents the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2016	2015
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**534,545**	513,531
Cost of revenue		**(392,266)**	(375,571)
Gross profit		**142,279**	137,960
Other income	*5*	**13,034**	16,928
Distribution and selling expenses		**(62,610)**	(62,166)
Administrative expenses		**(53,366)**	(50,702)
Other operating expenses		**(728)**	(745)
Operating profit		**38,609**	41,275
Finance costs		**(5,764)**	(4,190)
Share of loss of joint ventures		**(503)**	(674)
Share of profit (loss) of associates	*12*	**154**	(1,207)
Profit before income tax	*6*	**32,496**	35,204
Income tax expense	*7*	**(13,958)**	(8,361)

	NOTES	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Profit attributable to equity holders of the Company		**18,538**	26,843
Other comprehensive loss:			
Items that will not be reclassified to profit or loss:			
Share of other comprehensive loss of associates	*12*	**(16,949)**	–
Items that may be subsequently reclassified to profit or loss:			
Share of other comprehensive loss of associates	*12*	**(9,247)**	–
Currency translation difference		**8,454**	87
Total comprehensive income attributable to equity holders of the Company		**796**	26,930
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	*8*	**0.05**	0.07

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**30 June** **2016** **RMB'000** **(Unaudited)**	31 December 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**204,638**	216,383
Prepaid lease payments – non-current		**35,186**	35,658
Intangible assets		**2,889**	3,251
Investments in joint ventures		**16,467**	16,970
Investments in associates	*12*	**293,371**	310,959
Deferred tax assets		**7,397**	6,310
		559,948	589,531
Current assets			
Inventories		**219,354**	250,076
Debtors, deposits and prepayments	*10*	**479,325**	449,745
Prepaid lease payments – current		**940**	940
Amounts due from customers for contract work		**63,922**	36,717
Amounts due from fellow subsidiaries and an associate of ultimate holding company		**1,224**	1,277
Amounts due from joint ventures		**975**	717
Amounts due from associates and subsidiaries of an associate		**52,491**	60,841
Restricted bank deposits		**57,528**	172,613
Cash and cash equivalents		**119,617**	101,583
		995,376	1,074,509
Current liabilities			
Creditors, other payables and accrued charges	*11*	**422,046**	447,313
Amounts due to customers for contract work		**24,847**	15,576
Amount due to ultimate holding company		**1,091**	160
Amount due to immediate holding company		**1,626**	1,856
Amounts due to a fellow subsidiary and an associate of ultimate holding company		**6,983**	21,664
Amounts due to an associate and subsidiaries of an associate		**7,619**	10,389
Amounts due to joint ventures		**159**	317
Current income tax liabilities		**10,552**	7,858
Warranty provision		**5,554**	5,791
Bank borrowings		**341,708**	408,677
		822,185	919,601

	NOTES	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Net current assets		**173,191**	154,908
Total assets less current liabilities		**733,139**	744,439
Net assets		**733,139**	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		**48,127**	48,905
Retained earnings		**521,371**	531,893
Total equity		**733,139**	744,439

NOTES:

1. GENERAL INFORMATION

Good Friend International Holdings Inc. ("the Company") and its subsidiaries ("the Group") are engaged in 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 of Hong Kong Limited ("the Stock Exchange") since 11 January 2006. The Company's 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.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 31 August 2016.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, certain amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the current interim period.

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. 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, which is consistent with that in the condensed consolidated financial information.

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 for each reportable segment and total assets for each reportable segment.

Six months ended 30 June 2016 (Unaudited)	**Machine Tools** *RMB'000*	**Parking Garage Structures** *RMB'000*	**Forklift Trucks** *RMB'000*	**Total Group** *RMB'000*
Revenue (all from external sales)	398,480	96,210	39,855	534,545
Cost of revenue	(280,709)	(75,247)	(36,310)	(392,266)
Segment profit	117,771	20,963	3,545	142,279

Six months ended 30 June 2015 (Unaudited)	Machine Tools *RMB'000*	Parking Garage Structures *RMB'000*	Forklift Trucks *RMB'000*	Total Group *RMB'000*
Revenue (all from external sales)	350,796	110,358	52,377	513,531
Cost of revenue	(238,180)	(90,759)	(46,632)	(375,571)
Segment profit	112,616	19,599	5,745	137,960

Majority of the Group's operations and assets are located in the PRC and the Group mainly sells to the PRC market.

Revenue from customers contributing over 10% of the total revenue of the Group for each of the reporting periods is as follows:

	Six months ended 30 June	
	2016 *RMB'000*	2015 *RMB'000*
Customer A	**69,983**	N/A*

* *The corresponding revenue did not contribute over 10% of the total revenue of the Group for the period concerned.*

5. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**4,735**	10,410
Sales of materials	**3,264**	669
Repair income	**4,511**	2,666
Government subsidies*	**9,022**	706
Rental income	**113**	129
Net gain on disposal of property, plant and equipment	**–**	50
Net exchange (loss) gain	**(11,512)**	578
Others	**2,901**	1,720
	13,034	16,928

* *Government subsidies mainly represent the refund of value-added tax in relation to software embedded in the sales of machine tools and parking garage structures. The Group recognised the government 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.*

6. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	**346,999**	336,727
Allowance for bad and doubtful debts, net	**3,500**	4,398
Amortisation of intangible assets	**644**	395
Amortisation of prepaid lease payment	**472**	471
Depreciation of property, plant and equipment	**12,959**	13,796
Allowance for inventories, net	**851**	3,132
Research and development costs recognised as expense*	**16,285**	16,146
Net loss on disposal of property, plant and equipment	**163**	–
Provision for warranty	**2,104**	3,150
Direct operating expenses incurred for rental income	**1,047**	1,078

* *The amount disclosed above does not include depreciation of property, plant and equipment and amortisation of intangible assets charged to research and development cost recognised as expense amounting to RMB713,000 and RMB60,000 (six months period ended 30 June 2015: RMB825,000 and RMB88,000) respectively. Such expenses are included in their corresponding headings within this note.*

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current Enterprise income tax ("EIT")	**9,502**	8,613
PRC withholding tax	**5,543**	–
Deferred tax	**(1,087)**	(252)
	13,958	8,361

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 periods.

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

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 for the six months ended 30 June 2016 is 15% (2015: 15%).

In according to Detailed Implementation Regulations for implementation of the EIT law of PRC issued on 6 December 2007, dividends paid out by the companies established in the PRC to their then foreign investors is subject to 10% withholding tax from 1 January 2008 onwards. A lower withholding tax rate may be applied if there is a tax arrangement between Mainland China and the jurisdiction of the foreign investors. Under the Arrangement between the Mainland China and the Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, or China-HK Tax Arrangement, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding rate of 5%. The PRC withholding tax recognised by the Group represents the 5% withholding tax levied on the dividends declared by Hangzhou Good Friend during this six months period ended 30 June 2016. The directors of the Company have assessed that no dividends will be declared by any of the PRC subsidiaries in the foreseeable future so it is concluded that no additional withholding tax shall be accrued on the retained earnings of the PRC subsidiaries as the Group is able to control the timing of the reversal of such temporary differences and it is probable that such temporary differences would not be reversed in foreseeable future.

8. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company of RMB18,538,000 (six months period ended 30 June 2015: RMB26,843,000) by the number of ordinary shares in issue during the year of 403,200,000 (2015: 403,200,000).

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Basic and diluted earnings per share (RMB per share)	**0.05**	0.07

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

9. DIVIDENDS

During the current interim period, a final dividend of RMB0.03 per share in respect of the year ended 31 December 2015 (2015: RMB0.06 per share in respect of the year ended 31 December 2014) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to RMB12,096,000 (2015: RMB24,192,000).

At a meeting of the board of directors held on 31 August 2016, the directors of the Company resolved not to declare an interim dividend for the six months ended 30 June 2016 (2015: Nil).

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	As at	
	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade debtors and bills receivables	**479,285**	444,978
Less: provision for impairment of trade receivables	**(38,691)**	(36,512)
Trade debtors and bills receivables – net	**440,594**	408,466
Prepayments	**15,622**	16,033
Others	**23,109**	25,246
Total debtors, deposits and prepayments	**479,325**	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.

The ageing analysis of gross trade debtors and bills receivables based on due date were as follows:

	As at	
	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current – 30 days	**347,246**	341,202
31 – 60 days	**11,133**	8,465
61 – 90 days	**4,135**	9,079
91 – 180 days	**21,167**	14,038
Over 180 days	**95,604**	72,194
Trade debtors and bills receivables	**479,285**	444,978

11. CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES

	As at	
	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade creditors	**193,251**	177,863
Advance deposits from customers	**155,222**	184,316
Other payables	**35,717**	40,782
Accrued expenses	**37,856**	44,352
Total creditors, other payables and accrued charges	**422,046**	447,313

The Group is normally granted credit terms of 30 to 60 days. The ageing analysis of the trade creditors is as follows:

	As at	
	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current – 30 days	**121,938**	119,353
31 – 60 days	**41,211**	34,725
61 – 90 days	**6,667**	3,979
91 – 180 days	**8,271**	4,921
Over 180 days	**15,164**	14,885
	193,251	177,863

12. INVESTMENTS IN ASSOCIATES

	As at 30 June 2016	As at 31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost of unlisted investments in joint ventures	**346,072**	346,072
Share post-acquisition loss and other comprehensive loss	**(61,312)**	(35,270)
Currency translation difference	**8,611**	157
	293,371	310,959

The Group's share of the results in associates for the six months ended 30 June 2016 and the aggregate assets and liabilities of the associates as at 30 June 2016 are shown below:

	RMB'000
Assets	6,068,355
Liabilities	5,410,884
Revenue	2,152,405
Share of profit	154
Share of other comprehensive loss*	(26,196)

* *The share of other comprehensive loss represents the aggregate of the share of exchange differences on translation of foreign operations of RMB9,247,000 and the re-measurement losses on defined benefit plans of RMB16,949,000 of the associates.*

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the first half of 2016, sales volume of CNC machine tools, parking garage structures and forklift trucks amounted to 756 units, 7,502 units and 662 units respectively (2015 comparative figures: 842 units, 7,168 units and 845 units). The mainstream product of the Group CNC machine tools focus mainly on the China market, with the major customers being those automobile parts and mechanical manufacturers. According to the economic data released by the National Bureau of Statistics of China, China's gross domestic product (GDP) grew by a year-on-year rate of 6.7% in the first half of 2016, which was the lowest growth rate since 1990. It shows that China's economy is facing continued and relatively large downward pressure. Despite that, sales revenue of the Group's CNC machine tools business still recorded growth during the period under review. For the six months ended 30 June 2016, sales revenue of CNC machine tools amounted to approximately RMB398.48 million, representing an increase when compared to corresponding period in 2015.

Despite being affected by the slowdown of China's economic growth, the Group's high-end CNC machine tools products still recorded satisfactory sales revenue during the period under review. Sales revenue of high-end CNC machine tools products (manufactured by vendors in Germany and Italy) during the period under review amounted to approximately RMB53.20 million, and accounted for approximately 13.4% of sales revenue of the Group's 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 six months ended 30 June 2016, the Group recorded revenue of approximately RMB534.55 million, representing an increase of approximately 4.1% as compared to the corresponding period in 2015. CNC machine tools remained the major source of the Group's revenue. During the period under review, sales revenue of CNC machine tools business amounted to approximately RMB398.48 million, representing an increase of 13.6% as compared to the corresponding period in last year. Revenue of CNC machine tools accounted for approximately 74.5% of the Group's total revenue. On the other hand, sales revenue of the Group's forklift trucks business during the period under review was decreased by 23.9%, as compared to corresponding period in last year, to approximately RMB39.86 million and approximately 7.5% of the Group's total revenue. Moreover, sales revenue of parking garage structures amounted to approximately RMB96.21 million during the period under review, representing a decrease of approximately 12.8% as compared to corresponding period in last year and accounted for approximately 18.0% of the total revenue.

Gross profit and margin

During the period under review, gross profit of the Group amounted to approximately RMB142.28 million. Overall gross profit margin was approximately 26.6%, compared to 26.9% for the corresponding period in last year. The gross profit margin of CNC machine tools (the Group's major product) during the period under review remained at approximately 29.6%. As a result, the overall gross profit margin for the period under review remaining fairly stable when compared to corresponding period in last year.

Distribution and selling expenses

Distribution and selling expenses for the six months ended 30 June 2016 amounted to approximately RMB62.61 million, remaining fairly stable when compared to corresponding period in last year. This was mainly attributable to the stringent control of the corresponding expenses by the management. During the period under review, distribution and selling expenses as a percentage of the Group's revenue was approximately 11.7%, compared to 12.1% for the corresponding period in last year.

Administrative expenses

Administrative expenses increased by approximately 5.3% to approximately RMB53.37 million during the period under review. This was mainly attributable to the increase of the staff costs in Mainland China.

Share of profit (loss) of associates

For the six months ended 30 June 2016, share of profit of associates amounted to approximately RMB0.15 million (2015 comparative figures: share of loss of approximately RMB1.21 million). The amount represented the Group's share of results of the associates located in Germany and Italy, for the period under review.

Profit attributable to the equity holders of the Company

For the six months ended 30 June 2016, profit attributable to the equity holders of the Company amounted to approximately RMB18.54 million, representing a decrease of approximately 30.9% as compared to the same period last year.

Prospects

2016 is the first year of China's "13th Five-Year" Planning. Though the economic growth pace slows down, China remains as the growth engine to the world economy. 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 Germany and Italy) 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 cautious 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 explore and capture various opportunities for development and strategic cooperation 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.

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 2016, the Group's cash and cash equivalents amounted to approximately RMB119.62 million (at 31 December 2015: RMB101.58 million). As at 30 June 2016, the Group had net current assets of approximately RMB173.19 million (at 31 December 2015: RMB154.91 million) and short-term bank borrowings of approximately RMB341.71 million (at 31 December 2015: RMB408.68 million). The current ratio (total current assets to total current liabilities) of the Group as at 30 June 2016 was approximately 1.2 (at 31 December 2015: 1.2). The gearing ratio as at 30 June 2016 (total interest bearing liabilities to total assets) was approximately 22.0% (at 31 December 2015: 24.6%), indicated that the Group's overall financial position remained solid.

Capital structure

The share capital of the Company as at 30 June 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).

Staff and remuneration policies

As at 30 June 2016, the Group employed a total of approximately 1,270 full time employees (31 December 2015: 1,320) 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

As at 30 June 2016, the Group had no capital expenditure commitments mainly for property, plant and equipment which were contracted but not provided in the financial statements (at 31 December 2015: RMB0.63 million); whilst the Group had capital commitments for capital contribution to an associate of approximately RMB70.06 million (31 December 2015: RMB67.40 million). The Group had no material contingent liabilities as at 30 June 2016 (at 31 December 2015: Nil).

Charges on the group's assets

As at 30 June 2016, the Group had restricted bank deposits with an amount of approximately RMB57.53 million (at 31 December 2015: RMB172.61 million) which mainly represented deposits placed in banks for guarantees issued for finance facilities used by the Group.

Subsidiaries of the Company had pledged their land use rights and building with an aggregate carrying amount of RMB13.01 million (31 December 2015: RMB15.26 million) as at 30 June 2016 in order to secure banking facilities granted to the Group.

Interim dividend

In order to retain resources for the Group's future business development, the Board resolved not to declare an interim dividend for the six months ended 30 June 2016 (2015 interim dividend: Nil).

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 2016.

Model code for securities transactions by directors

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (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 its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the period under review.

Corporate governance

The Company has complied with the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2016 except the following.

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, Mr. Chu Chih-Yaung, was unable to attend the annual general meeting of the Company held on 2 June 2016 due to business trip. Mr. Chen Hsiang-Jung, an executive Director of the Company, took the chair of the annual general meeting pursuant to the Articles of the Association of the Company.

Audit committee

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code which comprises three independent non-executive Directors, namely Mr. Koo Fook Sun, Louis (as chairman), Mr. Chiang Chun-Te and Mr. Yu Yu-Tang. 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 has reviewed the unaudited financial information of the Group for the six months ended 30 June 2016. The Company's external auditor, Deloitte Touche Tomatsu, has conducted a review of the interim financial information of the Group for the six months ended 30 June 2016 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 HKICPA.

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

Hong Kong, 31 August 2016

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.