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 2009

The board (the "Board") of directors (the "Directors") of Good Friend International Holdings Inc. (the "Company") is pleased to present the audited consolidated statement of comprehensive income of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 and the Group's audited consolidated balance sheet at 31 December 2009, together with the relevant comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	NOTE	**2009** *RMB'000*	2008 *RMB'000*
Revenue	3	**776,838**	730,517
Cost of sales and construction contract costs		**(574,532)**	(550,500)
Gross profit		**202,306**	180,017
Other income	4	**12,695**	13,332
Distribution and selling expenses		**(79,181)**	(96,327)
Administrative expenses		**(22,013)**	(55,575)
Other operating expenses		**(1,559)**	(3,201)
Operating profit		**112,248**	38,246
Finance costs	6	**(4,564)**	(6,105)
Profit before taxation		**107,684**	32,141
Income tax expense	7	**(23,539)**	(10,288)
Profit for the year attributable to equity holders of the Company		**84,145**	21,853
Other comprehensive income		**–**	–
Total comprehensive income attributable to equity holders of the Company		**84,145**	21,853
Earnings per share – basic and diluted, in RMB	8	**0.25**	0.07
Dividends	9	**70,560**	40,320

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

	NOTE	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment		**183,615**	152,084
Investment properties		**8,837**	–
Land use rights		**42,253**	43,196
Deposits for purchases of plant and equipment		**2,443**	28,534
Intangible assets		**2,726**	2,664
Deferred tax assets		**5,235**	6,461
		245,109	232,939
Current assets			
Inventories		**209,534**	213,031
Debtors, deposits and prepayments	*10*	**262,140**	169,093
Amounts due from customers for contract work		**17,198**	14,659
Amount due from ultimate holding company		**588**	–
Amount due from a fellow subsidiary		**–**	1
Tax recoverable		**–**	7,303
Restricted bank deposits		**23,919**	8,782
Cash and cash equivalents		**68,137**	53,875
		581,516	466,744
Total assets		**826,625**	699,683
Equity			
Share capital		**3,431**	3,431
Reserves	*11*	**359,424**	325,679
		362,855	329,110
Non-current liabilities			
Long-term bank borrowings		**10,241**	–
Deferred tax liabilities		**4,943**	2,859
		15,184	2,859

	NOTE	2009 RMB'000	2008 RMB'000
Current liabilities			
Creditors, other payables and accrued charges	*12*	**291,655**	179,672
Amounts due to customers for contract work		**18,576**	7,402
Amount due to ultimate holding company		**–**	160
Amount due to immediate holding company		**6,448**	2,292
Tax payable		**9,406**	–
Warranty provision		**5,204**	4,426
Short-term bank borrowings		**117,297**	173,762
		448,586	367,714
Total equity and liabilities		**826,625**	699,683
Net current assets		**132,930**	99,030
Total assets less current liabilities		**378,039**	331,969

Notes:

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The following new standards and amendments to standards are mandatory for the first time for the financial period beginning 1 January 2009.

HKAS 1 (revised)	Presentation of financial statements
HKAS 23 (revised)	Borrowing costs
HKAS 27 (amendment)	Consolidated and separate financial statements
HKAS 32 and HKAS 1 (amendment)	Puttable financial instruments and obligation arising on liquidation
HKFRS 2 (amendment)	Share-based payment
HKFRS 7 (amendment)	Financial instruments: disclosures
HKFRS 8	Operating segments

HKAS 1 (revised), "Presentation of financial statements"

The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present one statement: a statement of comprehensive income and the consolidated financial statements have been prepared under these revised disclosure requirements.

HKFRS 8, "Operating segments"

HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers have been identified as the executive directors that make strategic decisions.

Following the adoption of HKFRS 8, the presentation of the segment results and segment assets has changed. Please refer to note 5 to the financial statements for details.

HKFRS 7, "Financial instruments: disclosures"

The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group has made relevant disclosures in the consolidated financial statements for the year ended 31 December 2009.

HKAS 23 (revised), "Borrowing costs"

This revised standard requires capitalisation of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The change in this accounting policy had no material impact on the Group's results as the Group does not have any qualifying asset as at 31 December 2009.

The adoption of other new and revised standards and amendments to existing standards have no significant impact on the results and financial position of the Group.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial period beginning 1 January 2009 but are not currently relevant to the Group.

HKAS 32 (amendment)	Financial instruments: Presentation
HK(IFRIC) 9 (amendment)	Reassessment of embedded derivatives
HK(IFRIC) 13	Customer loyalty programmes
HK(IFRIC) 15	Agreements for the construction of real estate
HK(IFRIC) 16	Hedges of a net investment in a foreign operation

The following amendment to standards has been issued that are mandatory for accounting periods beginning on or after 1 January 2010 and which the Group has early adopted:

Amendment to HKFRS 8 "Operating segments". Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker. As the chief operating decision maker does not receive such information, segment assets and segment liabilities have not been disclosed in the consolidated financial statements.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 January 2009 and have not been early adopted.

HKAS 39 (amendment)	Financial instruments: Recognition and measurement
HKFRS 3 (revised)	Business combinations
HKAS 27 (amendment)	Consolidated and separate financial statements
HKAS 28 (amendment)	Investments in associates
HKAS 31 (amendment)	Interests in joint ventures
HK(IFRIC) 17	Distributions of non-cash assets to owners
HK(IFRIC) 18	Transfer of assets from customers

HKICPA's improvements to HKFRS published in May 2009:

HKFRS 2 (amendment)	Share-based payment
HKFRS 5 (amendment)	Non-current assets held for ales and discounted operations
HKFRS 8 (amendment)	Operating segments
HKAS 1 (amendment)	Presentation of financial statements
HKAS 7 (amendment)	Statement of cash flows
HKAS 17 (amendment)	Leases
HKAS 36 (amendment)	Impairment of assets
HKAS 38 (amendment)	Intangible assets
HKAS 39 (amendment)	Financial instruments: Recognition and measurement
HK(IFRIC) 9 (amendment)	Reassessment of embedded derivatives
HK(IFRIC) 16 (amendment)	Hedges of a net investment in a foreign operation

The adoption of the above standards, amendments and interpretations to existing standards in future periods is not expected to result in substantial changes to the Group's accounting policies.

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.

The Executive Directors consider 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 a measure of gross profit. The Group does not allocate operating costs 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 the year ended 31 December 2009:

	Machine tools *RMB'000*	Parking garage structures *RMB'000*	Forklift trucks *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue (all from external customers)	615,450	83,776	77,612	–	776,838
Cost of sales	(426,680)	(77,146)	(70,706)	–	(574,532)
	188,770	6,630	6,906	–	202,306
Other income				12,695	12,695
Distribution and selling expenses				(79,181)	(79,181)
Administrative expenses				(22,013)	(22,013)
Other operating expenses				(1,559)	(1,559)
Operating profit				112,248	112,248
Finance costs				(4,564)	(4,564)
Profit before taxation				107,684	107,684
Income tax expense				(23,539)	(23,539)
Profit for the year				84,145	84,145

For the year ended 31 December 2008:

	Machine tools *RMB'000*	Parking garage structures *RMB'000*	Forklift trucks *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue (all from external customers)	476,645	94,044	159,828	–	730,517
Cost of sales	(326,717)	(82,853)	(140,930)	–	(550,500)
	149,928	11,191	18,898	–	180,017
Other income				13,332	13,332
Distribution and selling expenses				(96,327)	(96,327)
Administrative expenses				(55,575)	(55,575)
Other operating expenses				(3,201)	(3,201)
Operating profit				38,246	38,246
Finance costs				(6,105)	(6,105)
Profit before taxation				32,141	32,141
Income tax expense				(10,288)	(10,288)
Profit for the year				21,853	21,853

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

4. OTHER INCOME

	2009	2008
	RMB'000	*RMB'000*
Sales of materials	**2,265**	5,524
Net exchange gain	**2,553**	2,393
Government subsidies	**774**	2,049
Repair service income	**3,374**	1,653
Rental income from investment properties	**1,679**	602
Bank interest income	**688**	284
Others	**1,362**	827
	12,695	13,332

Note:

In 2009, the Group received government subsidies of RMB774,000 (2008: RMB2,049,000) which was awarded to one of its subsidiaries for being one of the highest taxpaying entities in Hangzhou.

5. EXPENSES BY NATURE

	2009	2008
	RMB'000	*RMB'000*
Cost of inventories sold	**529,175**	517,115
Sales commission	**15,377**	19,368
Depreciation of property, plant and equipment	**15,963**	16,353
Amortisation of intangible assets	**998**	741
Amortisation of land use rights	**943**	943
Provision for impairment of property, plant and equipment	**–**	1,369
Employee benefit expenses	**62,891**	72,807
Operating lease rentals on land and buildings	**4,437**	4,837
(Write-back of)/Allowance for doubtful debts, net	**(12,311)**	19,114
Allowance for inventories, net	**3,765**	763
Auditor's remuneration	**1,220**	1,657
Provision for warranty	**4,282**	5,056
Loss on disposal of property, plant and equipment	**282**	285
Others	**50,263**	45,195
Total cost of sales and construction contract costs, distribution and selling expenses, administrative expenses and other operating expenses	**677,285**	705,603

6. FINANCE COSTS

	2009	2008
	RMB'000	*RMB'000*
Interest expense arising from bank borrowings	**4,564**	6,105

7. TAXATION

	2009	2008
	RMB'000	*RMB'000*
PRC enterprise income tax	**17,370**	10,041
Deferred tax	**6,169**	247
	23,539	10,288

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 years.

Enterprise income tax ("EIT") is provided for enterprises in the PRC based on the profit reported for statutory financial reporting purposes. In 2008, Hangzhou Good Friend Precision Machinery Co., Ltd. ("Hangzhou Good Friend") was approved the New and High-Tech Enterprise status by the relevant government authorities and it is entitled to a reduced tax rate of 15% for a three-year period commencing 2008. Accordingly, the applicable tax rate for Hangzhou Good Friend in 2009 is 15% (2008: 15%).

Other Group companies did not have any assessable profits for both years. Certain group companies have unused tax loss.

8. EARNINGS PER SHARE

The calculation of the basis earnings per share is based on the profit for the year attributable to equity holders of the Company of RMB84,145,000 (2008: RMB21,853,000) and 336,000,000 (2008: 336,000,000) ordinary shares.

	2009	2008
Basic earnings per share (RMB per share)	**0.25**	0.07

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

9. DIVIDENDS

	2009	2008
	RMB'000	*RMB'000*
Interim dividend paid of RMB9 cents (2008: RMB6 cents) per share	**30,240**	20,160
Final dividend proposed of RMB12 cents (2008: RMB6 cents) per share	**40,320**	20,160
	70,560	40,320

At a meeting of directors held on 11 February 2010, the directors resolved to recommend a final dividend of RMB12 cents (2008: RMB6 cents) per share for the year ended 31 December 2009. This proposed dividend was not recognised as dividend payable in the consolidated financial statements for the year ended 31 December 2009.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	2009	2008
	RMB'000	*RMB'000*
Trade debtors and bills receivables	**230,114**	173,557
Less: Allowance for doubtful debts	**(25,866)**	(38,177)
	204,248	135,380
Deposits to suppliers	**30,778**	10,707
Other debtors	**27,114**	23,006
Total debtors, deposits and prepayments	**262,140**	169,093

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 an one-year warranty period.

The aging analysis of trade debtors and bills receivable is as follows:

	2009	2008
	RMB'000	*RMB'000*
current – 30 days	**165,767**	104,387
31 – 60 days	**10,008**	5,178
61 – 90 days	**2,081**	4,607
91 – 180 days	**7,876**	9,804
Over 180 days	**44,382**	49,581
	230,114	173,557

11. RESERVES

	Share premium	**Capital reserve**	**General reserve**	**Enterprise expansion reserve**	**Retained profit**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	66,596	77,338	18,178	9,089	172,945	334,146
Dividends paid	–	–	–	–	(40,320)	(40,320)
Total comprehensive income	–	–	–	–	21,853	21,853
Appropriation of reserves	–	–	9,912	–	(9,912)	–
At 31 December 2008	66,596	77,338	28,090	9,089	144,566	325,679
Dividends paid	–	–	–	–	(50,400)	(50,400)
Total comprehensive income	–	–	–	–	84,145	84,145
At 31 December 2009	66,596	77,338	28,090	9,089	178,311	359,424

12. CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES

	2009	2008
	RMB'000	*RMB'000*
Trade creditors	**157,174**	84,892
Advance deposits from customers	**95,053**	67,052
Other payables	**22,656**	13,941
Accrued charges	**16,772**	13,787
	291,655	179,672

The Group normally receives credit terms of 30 to 60 days. The aging of the creditors is as follows:

	2009	2008
	RMB'000	*RMB'000*
current – 30 days	**108,094**	54,836
31 – 60 days	**13,224**	17,668
61 – 90 days	**14,864**	6,414
91 – 180 days	**20,846**	4,197
Over 180 days	**146**	1,777
Trade creditors	**157,174**	84,892

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded satisfactory growth in its results performance for the year. During the year, CNC machine tools remained the major source of the Group's revenue, representing approximately 79.2% of the total revenue. As the economy of China began to recover in the second half of 2009, number of orders received by the Group in respect of its CNC machine tools business also increased remarkably. For the year ended 31 December 2009, sales volume and sales revenue of the Group's CNC machine tools business amounted to 1,352 units and approximately RMB615.45 million respectively, representing satisfactory growth when compared to 2008. During the year, the Group also recorded revenue of approximately RMB43.42 million for its double column machining centre launched in 2008, whilst selling price of such product is approximately 2 times or more the average selling price of the Group's CNC machine tools products. Moreover, the Group's new production base in Xiasha, Hangzhou (owned by Hangzhou Ever Friend Precision Machinery Co., Ltd. with an area of about 26,000 sq.m.) has already been utilized for the production of double column machining centre in the middle of 2009 which in turn enhanced the production capacity of the Group.

During the year, the Group continued to actively participate in those machine tools fairs in China. Through promoting its CNC machine tools products, the Group was able to achieve growth in sales of the products. In respect of its sales network, the number of the Group's liaison offices in China had increased to 32 in the year, covering various major cities in China. The Group has more than 300 professional sales staffs which are able to maintain close relationship with the customers for providing comprehensive pre-sales and after-sales services to those customers. Moreover, amidst the global economic slowdown in the second half of 2008 caused by the financial tsunami, the management had further strengthened its cost control measures during the year. Tight control on its operating expenses enabled the Group to achieve better efficiency. With sales revenue of CNC machine tools (the Group's mainstream product) returned to growing trend in the second half of 2009 coupled with the Group's implementation of effective cost control measures, the Group therefore recorded remarkable results performance during the year ended 31 December 2009.

FINANCIAL REVIEW

For the year ended 31 December 2009, the Group's financial performance returned to growing trend. The Group's revenue and profit attributable to equity holders of the Company for the year amounted to approximately RMB776.84 million (2008: RMB730.52 million) and approximately RMB84.15 million (2008: RMB21.85 million) respectively, representing an increase of approximately 6.3% and 285.1% respectively as compared with that in 2008. During the year, sales volume of CNC machine tools, parking garage structures and forklift trucks amounted to 1,352 units, 5,668 units and 1,189 units respectively (2008: 1,177 units, 4,437 units and 2,178 units).

Revenue

During the year, CNC machine tools remained the major source of the Group's revenue. The number of CNC machine tools sold increased from 1,177 units in 2008 to 1,352 units this year. Sales of the product rose from approximately RMB476.65 million in 2008 to approximately RMB615.45 million this year, an increase of approximately 29.1% and represented approximately 79.2% of the Group's total revenue. The major customers of the CNC machine tools business are auto parts and mechanical manufacturers. During 2009, the effects of global financial crisis continued to spread. Despite that, the Group's CNC machine tools business was benefited by the RMB4,000 billion economic-stimulus measures launched by the central government of China at the end of 2008, as well as the automobile subsidies for rural areas launched in early 2009. Revenue of the Group's CNC machine tools business was able to grow steadily from the middle of 2009. The underlying factors are the Group's advantage over its competitors in producing relatively high quality machine tools products, and the comprehensive sales services provided by its extensive sales network in China. The operating gross profit margin for CNC machine tools during the year was approximately 30.7% (2008: 31.5%).

On the other hand, the Group's forklift trucks business was hit by the drop of sales orders from overseas customers during the year. As a result, revenue generated from the forklift trucks decreased by 51.4% from RMB159.83 million in 2008 to RMB77.61 million this year. Proportion of revenue of forklift trucks to the Group's total revenue decreased to 10.0% accordingly. Moreover, sales revenue of parking garage structures for the year was approximately RMB83.78 million, representing a decrease of approximately 10.9% from that in 2008 and approximately 10.8% of the Group's total revenue.

Gross profit and margin

For the year ended 31 December 2009, gross profit of the Group amounted to approximately RMB202.31 million (2008: RMB180.02 million). Overall gross profit margin of the Group was approximately 26.0% (2008: 24.6%). Despite the fact that gross profit margin of CNC machine tools (the Group's major product) during the year maintained at approximately 30.7%, proportion of revenue of CNC machine tools to the Group's total revenue increased for the year whilst at the same period proportion of revenue of forklift trucks (relatively lower gross profit margin) to the Group's total revenue decreased. As a result, the overall gross profit margin for the year increased slightly.

Distribution and selling expenses

Distribution and selling expenses decreased by approximately 17.8% from approximately RMB96.33 million in 2008 to approximately RMB79.18 million for the year. Since the occurrence of the financial crisis in the second half of 2008, the Group had striven to control its operating expenditures in order to achieve better efficiency. During the year, distribution and selling expenses as a percentage of the Group's revenue was approximately 10.2% (2008: 13.2%).

Administrative expenses

Administrative expenses decreased significantly by approximately 60.4% from approximately RMB55.58 million in 2008 to approximately RMB22.01 million for the year. Apart from the stringent cost control measures implemented by the Group, there was a write-back of allowance for trade and doubtful debts amounting to approximately RMB12.31 million for the year ended 31 December 2009 due to the change in estimate given the improvement in economic conditions.

Finance costs

During the year ended 31 December 2009, finance costs decreased to approximately RMB4.56 million (2008: RMB6.11 million). The decrease was primarily due to the decrease of average bank borrowings of the Group during the year.

Profit attributable to equity holders

The Group's profit attributable to equity holders for the year ended 31 December 2009 was approximately RMB84.15 million, representing an increase of approximately 285.1% as compared to previous year.

Liquidity and financial resources

As at 31 December 2009, the Group had net current assets of approximately RMB132.93 million (2008: RMB99.03 million), shareholders' fund of approximately RMB362.86 million (2008: 329.11 million) and short-term bank borrowings of approximately RMB117.30 million (2008: RMB173.76 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 2009 amounted to approximately RMB68.14 million (2008: RMB53.88 million). The current ratio (ratio of total current assets to total current liabilities) of the Group was approximately 1.3 times (2008: 1.3 times). The gearing ratio (ratio of total debts to total assets) was approximately 15.4% (2008: 24.8%), 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 2009 was HK$3,360,000 divided into 336,000,000 shares of HK$0.01 each (at 31 December 2008: HK$3,360,000 divided into 336,000,000 shares of HK$0.01 each).

The Group generally finances its operations with internally generated cash flows and loans facilities provided by banks. As of 31 December 2009, the total outstanding short-term borrowings stood at approximately RMB117.30 million (2008: RMB173.76 million). Borrowing methods used by the Group mainly include bank loans. The Group had no interest rate hedging arrangement during the year. The Directors believe that the Group has sufficient financial resources to discharge its debts and to finance its operations and capital expenditures.

Significant investment

The Group had no significant investment held for the year ended 31 December 2009.

Material acquisitions and disposals of subsidiaries

The Group did not have any material acquisition or disposal of subsidiaries or associates during the year ended 31 December 2009.

Segmental information

Details of segmental information for the year ended 31 December 2009 are set out in note 3 to the preliminary announcement.

Staff and remuneration policies

At 31 December 2009, the Group employed a total of 1,230 (2008: 1,130) full-time employees in Hong Kong and China. The total staff costs (including Directors' fee and emoluments) amounted to approximately RMB62.89 million (2008: RMB72.81 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 also holds 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 of the share option scheme.

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 RMB2.21 million (2008: RMB3.69 million) to the said schemes.

Capital commitments and contingencies

The Group has made capital expenditure commitments mainly for property, plant and equipment of approximately RMB3.43 million (2008: 9.95 million) which are contracted but not provided in the financial statements. The Group also had commitments of USD0.63 million (2008: Nil) in respect of initial capital contribution to the JVC (see "Strategic Investment" below). The Group had no material contingent liabilities as at 31 December 2009 (2008: Nil).

Charges on the Group's assets

As at 31 December 2009, restricted bank deposits with an amount of approximately RMB23.92 million (2008: 8.78 million) represented guarantee deposit in banks for the purpose of bidding contracts.

Meanwhile, subsidiaries of the Company pledged its land and buildings with an aggregate carrying amount of approximately RMB67.25 million (2008: RMB14.37 million) to secure general banking facilities granted to them.

Foreign exchange risk

The Group mainly operates in China. During the year ended 31 December 2009, 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 has no hedging activities as it is considered that the impact to the Group is insignificant.

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.

STRATEGIC INVESTMENT

On 23 June 2009, the Company, Anest Iwata Corporation ("AIC") and Anest Iwata Taiwan Corporation ("AIT") entered into a shareholders' agreement for the formation of a wholly foreign owned enterprise, Anest Iwata Feeler Corporation (the "JVC"). Accordingly, the equity interest of the JVC is owned as to 35%, 35% and 30% by the Company, AIC and AIT respectively. The amount to be contributed by the Group to the registered capital of the JVC is US$ 2,625,000. The JVC is principally engaged in the production, assembly and supply of air compressors, their components, accessories and spare parts. The Group considers the formation of the JVC an opportunity to diversify the investment portfolio of the Group and helps enlarge the revenue base of the Group as a whole.

ISSUE OF TAIWAN DEPOSITARY RECEIPTS

On 10 December 2009, the Company made an application to the relevant authorities for the offering and listing of Taiwan Depositary Receipts ("TDR") on the Taiwan Stock Exchange (equivalent to not exceeding 67,200,000 new shares to be issued by the Company). The Company has subsequently obtained the approvals from the Taiwan Central Bank, the Taiwan Stock Exchange and the Taiwan Securities and Futures Bureau on 16 December 2009, 23 December 2009 and 13 January 2010 respectively. The Group intends to use the net proceeds from the issue of TDR for purchasing machinery and equipment and construction of plant to further expand the Group's production capacity in respect of its CNC machine tools business. Issue of TDR could provide an additional fundraising platform for the Group as well as broaden and diversify the shareholder base of the Company.

PROSPECTS

Despite the global economic environment still remains uncertain in 2009 due to the financial crisis, the Group recorded encouraging growth in its results performance for 2009. Through the Chinese government's policies of promotion of economic-stimulus measures, the gross domestic product GDP of China for 2009 has achieved a growth of 8.7%. It is believed that China will be the first country to recover from the impact of financial crisis. The Group stands to benefit accordingly by virtue of the fact that its mainstream product CNC machine tools focuses mainly in China market. Moreover, purchases of machine tools keep rising in China at a CAGR of 15.9% from 2004 to 2008. China therefore has a great demand for machine tools and in turn provides ample room for the development of the machine tools industry.

China is the largest machine tools consuming country. The Group will continue to expand its production capacity and enhance its production efficiency, in order to meet the vast demand from the domestic market and provide high quality CNC machine tools to the customers. Moreover, the Group will continue to participate actively in machine tools fairs in China in the future in order to solidify the Group's market share in China. On the other hand, apart from further expanding the Group's production capacity in respect of its CNC machine tools business, the issue of TDR could also increase the public awareness of the Group and promote the Group's corporate image internationally, which could enhance its competitiveness and also be beneficial to the Group's overall business development.

Looking ahead, the management believes that with its extensive sales network, solid research and development foundation as well as advanced manufacturing facilities, the Group is capable of meeting customers' different needs. Furthermore, the management will explore appropriate investing and acquisition activities. The Group is committed to becoming an international CNC machine tools manufacturer to bringing favorable returns to the shareholders of the Company. In conclusion, the management is optimistic about China's economic development prospects and the Group's prospect in the foreseeable future.

FINAL DIVIDEND

The Board proposed, subject to approval of the shareholders at the forthcoming annual general meeting of the Company, a final dividend of RMB0.12 (equivalent to approximately HK$0.137) per share for the year ended 31 December 2009, amounting to RMB40.32 million (equivalent to approximately HK$46.03 million), according to number of existing issued ordinary shares.

The dates of closure of register of members of the Company for the purpose of determining the identity of the shareholders entitled to receive the final dividend and payment date of the final dividend will be announced later.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted its own code of corporate governance practices which meets the code provisions in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules. The current practices will be 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 deviations from code provision E 1.2 of the CG Code which 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 held on 8 June 2009 due to 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.

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 2009, 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") on 22 December 2005 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. 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 with the management the audited consolidated financial statements of the Group for the year ended 31 December 2009.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2009 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amount set out in the Group's audited consolidated financial statements for the year ended 31 December 2009. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers 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 2009.

AUDITORS

For the three years ended 31 December 2008, Messrs. Deloitte Touche Tohmatsu acted as auditors of the Company. During 2009, Messrs. Deloitte Touche Tohmatsu resigned as auditors of the Company and Messrs. PricewaterhouseCoopers were appointed as auditors of the Company for the year of 31 December 2009.

A resolution will be submitted to the 2010 AGM of the Company to re-appoint Messrs. PricewaterhouseCoopers as auditors of the Company.

On behalf of the Board
Good Friend International Holdings Inc.
Chu Chih-Yaung
Chairman

Hong Kong, 11 February 2010

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.