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 2008

The board (the "Board") of directors (the "Directors") of Good Friend International Holdings Inc. (the "Company") is pleased to present the audited consolidated income statement of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 and the Group's audited consolidated balance sheet at 31 December 2008, together with the relevant comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	NOTES	2008 RMB'000	2007 RMB'000
Revenue	5	**730,517**	821,367
Cost of sales and construction contract costs		**(550,500)**	(607,016)
Gross profit		**180,017**	214,351
Other income	6	**13,332**	8,571
Distribution and selling costs		**(96,327)**	(83,465)
Administrative expenses		**(55,575)**	(39,335)
Other expenses		**(3,201)**	(1,358)
Finance costs	7	**(6,105)**	(2,810)
Profit before taxation	8	**32,141**	95,954
Taxation	9	**(10,288)**	(11,069)
Profit for the year attributable to equity holders of the Company	5	**21,853**	84,885
Dividends	10	**40,320**	34,160
Earnings per share – basic, in RMB	11	**0.07**	0.25

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	NOTES	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment		**152,084**	122,040
Prepaid lease payments		**42,253**	43,196
Deposits for purchase of plant and equipment		**28,534**	5,228
Intangible assets		**2,590**	2,506
Long term prepayments		**74**	245
Deferred tax assets		**3,602**	3,849
		229,137	177,064
Current assets			
Inventories		**213,031**	131,414
Debtors, deposits and prepayments	*12*	**169,093**	220,950
Prepaid lease payments		**943**	943
Amounts due from customers for contract work		**14,659**	18,929
Amount due from a fellow subsidiary		**1**	–
Tax recoverable		**7,303**	4,205
Restricted bank deposits		**8,782**	2,436
Bank balances and cash		**53,875**	52,010
		467,687	430,887
Current liabilities			
Creditors, other payables and accrued charges	*13*	**179,672**	186,061
Amounts due to customers for contract work		**7,402**	5,273
Amounts due to holding companies		**2,452**	–
Warranty provision		**4,426**	4,379
Bank borrowings		**173,762**	64,661
		367,714	260,374
Net current assets		**99,973**	170,513
		329,110	347,577
Capital and reserves			
Share capital		**3,431**	3,431
Reserves		**325,679**	344,146
		329,110	347,577

Notes:

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Good Friend (H.K.) Corporation Limited ("Hong Kong GF"), a company incorporated in Hong Kong and its ultimate holding company is Fair Friend Enterprise Company Limited ("Fair Friend"), a company incorporated in Taiwan.

The Company is an investment holding company.

The consolidated financial statements are presented in Renminbi ("RMB"), which is same as the Company's functional currency, as majority of the Group's transactions are denominated in RMB.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
Hong Kong (International Financial Reporting Interpretations Committee) – Interpretations ("HK (IFRIC")-Int") 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]

HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[7]

1 *Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009*
2 *Effective for annual periods beginning on or after 1 January 2009*
3 *Effective for annual periods beginning on or after 1 July 2009*
4 *Effective for annual periods ending on or after 30 June 2009*
5 *Effective for annual periods beginning on or after 1 July 2008*
6 *Effective for annual periods beginning on or after 1 October 2008*
7 *Effective for transfers on or after 1 July 2009*

The adoption of HKFRS 3 (revised) Group's business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. CHANGES OF ACCOUNTING ESTIMATES

During the current year, the directors reassessed the remaining estimated useful lives of certain property, plant and equipment and considered that the following depreciation rates per annum should be adjusted to reflect the current condition.

	Before 1 January 2008	**After 1 January 2008**
Motor vehicles	18%	$22^1/_2$%
Computer equipment	18%	$33^1/_3$%

This change in depreciation rate has increased the depreciation charge for the year by approximately RMB2.21 million.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

5. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into three operating divisions – machine tools, parking garage structures, and forklift trucks. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

For the year ended 31 December 2008

	Machine tools *RMB'000*	**Parking garage structures** *RMB'000*	**Forklift trucks** *RMB'000*	**Total** *RMB'000*
Revenue				
– external sales	476,645	–	159,828	636,473
– external contract revenue	–	94,044	–	94,044
	476,645	94,044	159,828	730,517
Segment results	58,957	(8,561)	(4,706)	45,690
Unallocated corporate income				432
Unallocated corporate expenses				(7,876)
Finance costs				(6,105)
Profit before taxation				32,141
Taxation				(10,288)
Profit for the year attributable to equity holders of the Company				21,853

At 31 December 2008

	Machine tools *RMB'000*	Parking garage structures *RMB'000*	Forklift trucks *RMB'000*	Total *RMB'000*
Balance sheet				
Assets				
Segment assets	410,759	99,886	109,368	620,013
Unallocated corporate assets				76,811
Consolidated total assets				696,824
Liabilities				
Segment liabilities	130,553	31,616	27,753	189,922
Unallocated corporate liabilities				177,792
Consolidated total liabilities				367,714

	Machine tools *RMB'000*	Parking garage structures *RMB'000*	Forklift trucks *RMB'000*	Corporate *RMB'000*	Total *RMB'000*
Other information					
Capital expenditure	40,057	809	5,383	3,208	49,457
Depreciation and amortisation	11,080	858	2,902	4,139	18,979
Impairment loss recognised in respect of property, plant and equipment (included in administrative expenses)	–	671	698	–	1,369
Allowance for bad and doubtful debts, net	15,510	1,038	2,566	–	19,114
Provision for warranty	3,305	1,498	253	–	5,056

For the year ended 31 December 2007

	Machine tools	Parking garage structures	Forklift trucks	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue				
– external sales	607,763	–	99,965	707,728
– external contract revenue	–	113,639	–	113,639
	607,763	113,639	99,965	821,367
Segment results	132,156	(4,248)	450	128,358
Unallocated corporate income				2,390
Unallocated corporate expenses				(31,984)
Finance costs				(2,810)
Profit before taxation				95,954
Taxation				(11,069)
Profit for the year attributable to equity holders of the Company				84,885

As at 31 December 2007

	Machine tools	Parking garage structures	Forklift trucks	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance sheet				
Assets				
Segment assets	333,419	94,440	13,232	441,091
Unallocated corporate assets				166,860
Consolidated total assets				607,951
Liabilities				
Segment liabilities	129,685	34,380	1,565	165,630
Unallocated corporate liabilities				94,744
Consolidated total liabilities				260,374

	Machine tools *RMB'000*	Parking garage structures *RMB'000*	Forklift trucks *RMB'000*	Corporate *RMB'000*	Total *RMB'000*
Other information					
Capital expenditure	21,623	2,298	9,419	2,452	35,792
Depreciation and amortisation	8,203	1,190	1,306	3,559	14,258
Allowance for bad and doubtful debts, net	6,254	2,059	215	–	8,528
Provision (reversal of provision) for warranty	2,207	1,945	(369)	–	3,783

Geographical segments

All of the Group's operations and assets are located in the People's Republic of China (the "PRC") and the Group mainly serves the PRC market. Accordingly, no segment information by geographical market is presented.

6. OTHER INCOME

	2008 *RMB'000*	2007 *RMB'000*
Sales of materials	**5,524**	3,720
Net exchange gain	**2,393**	411
Government subsidies	**2,049**	1,520
Repair income	**1,653**	570
Bank interest income	**284**	1,251
Others	**1,429**	1,099
	13,332	8,571

7. FINANCE COSTS

The amounts represent interest on bank borrowings wholly repayable within one year.

8. PROFIT BEFORE TAXATION

	2008	2007
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible asset included in administrative expenses	**942**	769
Amortisation of long term prepayments	**741**	174
Amortisation of prepaid lease payments	**943**	808
Depreciation of property, plant and equipment	**16,353**	12,507
Total depreciation and amortisation	**18,979**	14,258
Impairment losses recognised in respect of property, plant and equipment (included in administrative expenses)	**1,369**	–
Directors' remuneration	**1,144**	1,181
Other staff costs	**55,067**	65,531
Retirement benefit scheme contributions	**3,689**	3,815
Total staff costs	**59,900**	70,527
Allowance for bad and doubtful debts, net	**19,114**	8,528
Auditor's remuneration	**1,657**	1,671
Cost of inventories recognised as expenses	**468,577**	503,101
Contract costs recognised as expenses	**81,160**	104,145
Loss on disposal of property, plant and equipment	**285**	131
Operating lease rentals in respect of rented premises	**4,966**	3,371
Research and development expenses	**1,005**	181
Allowance for (reversal of) inventories, net	**763**	(230)

9. TAXATION

	2008	2007
	RMB'000	*RMB'000*
PRC enterprise income tax		
Current tax	**10,041**	12,873
Overprovision in respect of prior year	**–**	(545)
	10,041	12,328
Deferred tax	**247**	(1,259)
	10,288	11,069

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.

In 2007, pursuant to the approvals obtained from the relevant PRC tax authorities, Hangzhou Good Friend Precision Machinery Co., Ltd. ("Hangzhou Good Friend") was recognised as a technically advanced enterprise in 2007 and was entitled to a preferential income tax rate of 16.5% comprising national income tax rate of 15% and local income tax of 1.5%.

Pursuant to certain policies issued by the State Tax Bureau in 2006, Hangzhou Good Friend was entitled to a three-year extension of the previously expired tax concession period over which it was subject to a minimum tax rate of 10% for the PRC national income tax for a three years period commencing from 2007. In addition, Hangzhou Good Friend was also entitled to a 50% reduction in the local income tax with expiry date not specified, representing 0.75% of local income tax rate. Accordingly, the applicable tax rate for Hangzhou Good Friend for 2007 was 10.75%.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Hangzhou Good Friend is subject to a tax rate of 18%, 20%, 22%, 24% and 25% for the years ending 31 December 2008, 2009, 2010, 2011 and 2012, respectively under the New Law and implementation Regulation effective 1 January 2008.

However, during the year, Hangzhou Good Friend is approved the New and High-Tech Enterprise status that would allow for a reduced tax rate of 15% for a three-year period commencing 2008 under the new Law of the PRC on Enterprise Income Tax ("New EIT Law") effective 1 January 2008. Accordingly, the applicable tax rate for Hangzhou Good Friend for 2008 is 15%

Under the old Foreign Enterprises Income Tax Law ("FEIT Law") of the PRC, withholding tax ("WHT") on dividends from Foreign Investment Enterprises ("FIEs") in the PRC to their foreign investors is exempted. Under the New EIT Law, a special WHT exemption is granted for dividends declared of pre-2008 undistributed profits. While pre-2008 retained earnings of an FIE will be exempted from WHT when they are distributed to foreign investors from 1 January 2008 onwards, dividends declared in respect of profits earned from 1 January 2008 and after will be subject to WHT at 5%. Deferred tax has been provided for WHT on profits earned in the PRC subsidiaries for the year ended 31 December 2008.

Other group companies did not have taxable profits for both years.

10. DIVIDENDS

	2008	2007
	RMB'000	*RMB'000*
Dividend recognised as distribution during the year:		
Interim for 2008 – RMB6 cents per share (2007: RMB6 cents per share for 2007)	**20,160**	20,160
Final for 2007 – RMB6 cents per share (2007: RMB5 cents per share for 2006)	**20,160**	14,000
	40,320	34,160

The final dividend of RMB6 cents (2007: RMB6 cents) per share has been proposed by the directors for the year ended 31 December 2008 and is subject to approval by the shareholders at the annual general meeting.

11. 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 RMB21.85 million (2007: RMB84.89 million) and 336,000,000 (2007: 336,000,000) ordinary shares.

	2008	2007
	RMB'000	*RMB'000*
Basic earnings per share	**0.07**	0.25

No diluted earnings per share have been presented as there were no potential dilutive shares in issue for both years.

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	2008	2007
	RMB'000	*RMB'000*
Trade debtors	**173,557**	190,203
Less: Allowance for bad and doubtful debts	**(38,177)**	(19,063)
	135,380	171,140
Advance deposits to suppliers	**10,707**	26,785
Other debtors	**10,381**	6,666
Deposits and prepayments	**12,625**	16,359
Total debtors, deposits and prepayments	**169,093**	220,950

The Group allows a credit period of 30 to 180 days to its customers.

The aged analysis of trade debtors net of allowance of doubtful debts is as follows:

	2008	2007
	RMB'000	*RMB'000*
0 – 30 days	**104,387**	148,795
31 – 60 days	**5,178**	5,535
61 – 90 days	**4,607**	2,742
91 – 180 days	**9,804**	6,760
Over 180 days	**11,404**	7,308
	135,380	171,140

13. CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES

The following is an aged analysis of trade creditors at the balance sheet date:

	2008	2007
	RMB'000	*RMB'000*
1 – 30 days	**54,836**	46,999
31 – 60 days	**17,668**	30,747
61 – 90 days	**6,414**	4,764
91 – 180 days	**4,197**	2,733
Over 180 days	**1,777**	3,429
Trade creditors	**84,892**	88,672
Advance deposits from customers	**67,052**	55,075
Other payables	**13,941**	27,380
Accrued charges	**13,787**	14,934
	179,672	186,061

The average credit period on purchase of goods is 30 – 60 days. The Group has financial risk management policies in place to ensure that all creditors are within the credit time frame.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The financial tsunami occurred in the second half of 2008 had caused the global economic slowdown. For the year ended 31 December 2008, sales volume of the Group's CNC machine tools business decreased to 1,177 units compared to the previous year. Despite that, sales volume of the Group's forklift trucks business for the current year increased to 2,178 units when compared to previous year. This was attributable to the momentum of the remarkable growth rate generated in 2007 continued during the year. Moreover, the second phase construction work of the plant owned by Hangzhou Global Friend Precision Machinery Co., Ltd at Xiasha, Zhejiang province was completed in the second half of 2008. This new plant then acted as an appropriate processing centre for the Group to assemble those component parts required for the production of the forklift trucks, and is able to enhance the production efficiency of the forklift trucks business. On the other hand, the Group had also successfully developed and launched relatively high-end "double column machining centre" in the current year, which could enhance the portfolio of the Group's CNC machine tools products as well as upgrade its products quality.

During the current year, the Group continued to participate actively in various machine tools fairs in China, enabling itself to be well-positioned for seizing potential business opportunities in the China market under tough economic environment. In respect of its sales network, the number of the Group's liaison offices in China had increased from 29 in 2007 to 31 in the current year, covering various major cities in China. The Group has around 300 professional sales staff 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 downturn in the second half of 2008, the management had also further strengthened its cost control measures. Tight control on its operating expenses could enable the Group to effectively cope with the various challenges brought about by the uncertain economic environment in the future.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2008, the Group recorded revenue of approximately RMB730.52 million, representing a decrease of approximately 11.1% compared to previous year. During the year, sales volume of CNC machine tools, parking garage structures and forklift trucks amounted to 1,177 units, 4,437 units and 2,178 units respectively (2007: 1,491 units, 6,997 units and 1,537 units.

During the year, CNC machine tools remained the major source of the Group's revenue. The major customers of the CNC machine tools are automobile and mechanical manufacturers. Sales revenue of the Group's CNC machine tools business decreased from approximately RMB607.76 million in 2007 to approximately RMB476.65 million this year, or a 21.6% decrease. Such decrease was mainly attributable to China's implementation of macroeconomic policy during the first half of 2008, as well as the impact from the global economic slowdown stemmed from the financial tsunami occurred in the second half of 2008. Revenue of CNC machine tools accounted for approximately 65% of the Group's total revenue. The Group nevertheless considers that the extent of such decrease is relatively moderate under such economic climate. The underlying factors are the Group's advantage over its competitors in producing relatively high quality machine tools products, and comprehensive sales services provided by its extensive sales network in China. The Group was therefore able to increase the selling prices of certain models of its CNC machine tools products to mitigate the impact brought about by the surge in raw materials prices during the first half of 2008. The operating gross profit margin for CNC machine tools during the year maintained at approximately 31.5%.

Sales revenue of parking garage structures for the year was approximately RMB94.04 million, representing a decrease of approximately 17.2% from that in 2007 and remained at approximately 13% of the Group's total revenue.

On the other hand, the momentum of the remarkable growth rate generated in 2007 for the Group's forklift trucks business continued in the year. Sales revenues of the products increased from approximately RMB99.97 million in 2007 to approximately RMB159.83 million for the year, representing a growth of approximately 59.9%. Revenue generated from the forklift trucks business therefore increased to approximately 22% of the Group's total revenue. Although costs of the relevant component parts overall increased in the year, the Group had also increased the selling prices of its forklift trucks in the year as the products had progressively developed its own brand. The operating gross profit margin for forklift trucks during the year was approximately 11.6%.

Gross profit and margin

For the year ended 31 December 2008, gross profit of the Group amounted to approximately RMB180.02 million (2007: RMB214.35 million). Overall gross profit margin of the Group was approximately 24.6%(2007: 26.1%). Despite the fact that gross profit margin of CNC machine tools (the Group's major product) during the year maintained at approximately 31.5%, proportion of revenue of CNC machine tools to the Group's total revenue decreased for the year whilst at the same period proportion of revenue of forklift trucks (with relatively lower gross profit margin) to the Group's total revenue increased. As a result, the overall gross profit margin for the year declined slightly.

Distribution and Selling Costs

Distribution and selling costs increased by approximately 15.4% from approximately RMB83.47 million in 2007 to approximately RMB96.33 million for the year. Such increase was mainly due to the Group's active participation in those machine tools fairs in China for the year to promote aggressively the Group's products, as well as the increase of the sales volume of forklift trucks. Moreover, the number of the Group's liaison offices in China was also increased to 31 during the year.

Administrative expenses

Administrative expenses increased by approximately 41.3 % from approximately RMB39.34 million in 2007 to approximately RMB55.58 million for the year. The increase was primarily due to the increase of the allowance for bad and doubtful debts to approximately RMB19.11 million for the year and the increase in impairment losses and depreciation of plant and equipment.

Finance Costs

For the year ended 31 December 2008, finance costs increased to approximately RMB6.11 million (2007: RMB2.81 million). The increase was primarily due to the increase of 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 2008 was approximately RMB21.85 million, representing a decrease of approximately 74.3% as compared to previous year.

Liquidity and financial resources

As at 31 December 2008, the Group had net current assets of approximately RMB99.97 million (2007: RMB170.51 million), shareholders' fund of approximately RMB329.11 million (2007: RMB347.58 million) and short-term bank borrowings of approximately RMB173.76 million (2007: RMB64.66 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 2008 amounted to approximately RMB53.88 million (2007: RMB52.01 million). The current ratio (ratio of total current assets to total current liabilities) of the Group was approximately 1.3 times (2006: 1.7 times). The gearing ratio (ratio of total interest bearing debts to total assets) was approximately 24.9% (2007: 10.6%), indicating that the Group continued to maintain good financial position.

Capital structure and treasury policies

The share capital of the Company as at 31 December 2008 was HK$3,360,000 divided into 336,000,000 shares of HK$0.01 each (2007: 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 in China. As at 31 December 2008, the total outstanding short-term borrowings stood at approximately RMB173.76 million (2007: RMB64.66 million). Borrowing methods used by the Group mainly include bank loans. The Group has fixed-rate borrowings and the contractual maturity dates are within one year. 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 2008.

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 2008.

Segmental information

Details of segmental information for the year ended 31 December 2008 are set out in note 5 to the consolidated financial statements.

Staff and remuneration policies

At 31 December 2008, the Group employed a total of 1,130 (2007: 1,270) full-time employees in Hong Kong and China. The total staff costs (including Directors' fee and emoluments) amounted to approximately RMB59.90 million (2007: RMB70.53 million). The promotion and salary review policies of the Group are determined with reference to the market trends, future plans and the performance of individuals in various regions 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.

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 RMB3.69 million (2007: RMB3.82 million) to the said schemes.

Capital commitments and contingencies

The Group has made capital expenditure commitments mainly for property, plant and equipment of approximately RMB9.95 million (2007: RMB22.93 million) which are contracted but not provided in the financial statements. The Group had no material contingent liabilities as at 31 December 2008. (2007; Nil).

Charges on the Group's assets

As at 31 December 2008, restricted bank deposits with an amount of approximately RMB8.78 million (2007: RMB2.44 million) represented guarantee deposit in banks for the purpose of bidding contracts.

Meanwhile, a subsidiary of the Company pledged its land and buildings with an aggregate carrying amount of approximately RMB14.37 million to secure general banking facilities granted to it.

Moreover, a subsidiary of the Company pledged its share to secure banking facilities granted to the Company.

Future plans for material investments or capital assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 December 2008. However, the Group will continue to seek new business development opportunities.

Foreign exchange risk

The Group mainly operates in China. During the year ended 31 December 2008, the Group collected most of its revenue in Renminbi, some of which were converted inro 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 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.

PROSPECTS

The central government of China had launched RMB4,000 billion economic-stimulus measures at the end of 2008 in order to stimulate the domestic economy for coping with the economic downturn caused by the financial tsunami occurred in the same year. The corresponding measures include speed-up of those major infrastructure investments in railways, highways and airports. The Group believes that the implementation of such measures will further enhance the development of the machine tools industry in China, in particular the double column machining centre launched by the Group in 2008. As the selling price of double column machining centre is approximately 2 times or more the average selling price of the Group's CNC machine tools products, the management therefore believes that the launch of double column machining centre will enhance the sales amount and the gross profit of the Group's CNC machine tools business. On the other hand, total consumption of machine tools in China increased to US$19.37 billion for 2008, representing an increase of approximately 26% as compared to 2007. Amongst that, proportion of locally-produced machine tools also progressively increased to 61% for 2008. The continuous increase in the demand of locally-produced machine tools will provide a vast business opportunity for the Group's CNC machine tools business which focuses mainly in the domestic market. Moreover, the Group's new production base in Xiasha, (owned by Hangzhou Ever Friend Precision Machinery Co., Ltd.) has been completed in early 2009. The area of the new production plant is about 26,000 sq.m., and will be utilized for the production of double column machining centre. Furthermore, pursuant to a "Notice of recognition of new and high technology enterprises in Zhejiang 2008" jointly issued by the Science and Technology Department of Zhejiang, Finance Department of

Zhejiang, State Tax Bureau of Zhejiang and Provincial Tax Bureau of Zhejiang at the end of 2008, Hangzhou Good Friend Precision Machinery Co., Ltd.("Hangzhou Good Friend", the Group's key operating entities) has been recognized as one of the new and high technology enterprises in Zhejiang 2008. The recognition certificate will be valid for a term of 3 years. According to the relevant regulations, after the grant of recognition as a new and high technology enterprise, the income tax of Hangzhou Good Friend for the following 3 years (including year 2008) will be levied at 15%. Apart from the recognition of the Group's research and development capabilities, such grant also enables the Group to benefit from the corresponding tax rebates. The management therefore believes that with its existing production capacity and research and development capabilities, the Group could increase its market share in the machine tools industry in China.

Looking ahead, the Group will continue to participate actively in local leading machine tools fairs in order to expand its market share. The Board believes that with its extensive sales network, advanced technology and know-how, as well as advanced manufacturing facilities, the Group is capable of meeting customers' different needs. The management will also continue to strengthen the control of operating expenditures and strive to enhance its production efficiency, enabling the Group to be well-equipped for facing with the various challenges caused by the current tough economic environment. In conclusion, the management is prudently optimistic about China's economic development prospect and the Group's prospect in the foreseeable future.

FINAL DIVIDEND

The Directors proposed a final dividend of RMB0.060 (equivalent to approximately HK$0.068) per ordinary share for the year ended 31 December 2008, amounting to RMB20.16 million (equivalent to approximately HK$22.85 million). The dividend warrants will be dispatched on Wednesday, 8 July 2009 to those shareholders whose names appear on the register of members of the Company at the close of business on Monday, 8 June 2009, subject to the approval of the shareholders at the forthcoming annual general meeting (the "2009 AGM").

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholder entitled to receive the proposed final dividend and attend and vote at the 2009 AGM, the register of members of the Company will be closed from Wednesday, 3 June 2009 to Monday, 8 June 2009, both days inclusive, during which period no transfer of shares will be effected. All completed transfer forms accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 2 June 2009.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2008.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

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 as set out herein.

During the financial year ended 31 December 2008, the Board convened a total of four board meetings of which one board meeting was not convened with 14 days' notice. This constitutes deviation from Code provisions A.1.1 and A.1.3 of CG Code which stipulates that, inter alia, (i) the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals and (ii) notice at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. The Company shall continue to balance the practicality in scheduling such meetings and compliance with these code provisions in future.

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 CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of Audit Committee are to review and supervise the financial reporting processing and internal control system of the Group. The Audit Committee of the Company comprises three independent non-executive Directors, namely Mr. KOO Fook Sun, Louis (as chairman), Mr. CHIANG Chun-Te and Mr. YU Yu-Tang. The Audit Committee had reviewed with the management the audited consolidated financial statements of the Group for the year ended 31 December 2008.

AUDITORS

The financial statements for the year ended 31 December 2008 have been audited by the Group's auditors, Messrs. Deloitte Touche Tohmatsu (who shall retire and, being eligible, offer themselves for re-appointment at the 2009 AGM).

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

Hong Kong, 22 April 2009

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