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GOOD FRIEND INTERNATIONAL HOLDINGS INC.
友佳國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2398)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The board (the "Board") of directors (the "Directors") of Good Friend International Holdings Inc. (the "Company") presents the consolidated statement of comprehensive income of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 and the Group's consolidated statement of financial position at 31 December 2013, together with the relevant comparative figures for the previous year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	**2013** *RMB'000*	2012 *RMB'000*
Revenue	*3*	**1,350,271**	1,540,856
Cost of revenue	*5*	**(1,040,500)**	(1,231,909)
Gross profit		**309,771**	308,947
Other income	*4*	**28,738**	28,712
Distribution and selling expenses	*5*	**(147,533)**	(147,964)
Administrative expenses	*5*	**(86,025)**	(112,999)
Other operating expenses	*5*	**(2,561)**	(3,426)
Operating profit		**102,390**	73,270
Finance costs	*6*	**(7,964)**	(11,168)
Share of loss of jointly controlled entities		**(3,975)**	(1,859)
Share of (loss)/profit of an associate		**(26,321)**	197
Loss on disposal of a subsidiary and an associate		**(9,742)**	–
Profit before income tax		**54,388**	60,440
Income tax expense	*7*	**(17,520)**	(18,418)
Profit attributable to equity holders of the Company		**36,868**	42,022
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income of an associate		**3,665**	–
Currency translation differences		**10,896**	(2,012)
Total comprehensive income for the year attributable to equity holders of the Company		**51,429**	40,010
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)			
Basic and diluted earnings per share	*8*	**0.09**	0.10
Dividends	*9*	**40,320**	40,320

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2013** *RMB'000*	2012 *RMB'000*
Assets			
Non-current assets			
Land use rights		**38,481**	39,424
Property, plant and equipment		**256,100**	278,454
Investment properties		**249**	1,343
Intangible assets		**1,458**	1,406
Investments in jointly controlled entities		**17,576**	18,093
Investment in an associate		**9,604**	–
Available-for-sale financial asset		**571**	–
Deferred income tax assets		**4,520**	4,541
Deposits for purchases of plant and equipment		**1,560**	2,010
		330,119	345,271
Current assets			
Inventories		**279,016**	354,545
Debtors, deposits and prepayments	*10*	**622,553**	621,284
Amount due from and prepayment to an investee		**13,988**	–
Amounts due from customers for contract work		**24,651**	27,902
Amount due from ultimate holding company		**1,912**	–
Amounts due from and prepayment to fellow subsidiaries and an associate of ultimate holding company		**1,786**	2,374
Amount due from a jointly controlled entity		**1,498**	315
Amount due from subsidiaries		**12,495**	411
Restricted bank deposits		**60,167**	22,964
Cash and cash equivalents		**235,829**	109,547
		1,253,895	1,139,342
Assets of disposal companies classified as held for sale	*13*	**–**	84,185
		1,253,895	1,223,527
Total assets		**1,584,014**	1,568,798
Equity			
Equity attributable to equity holders of the Company			
Share capital		**4,022**	4,022
Share premium	*11*	**82,281**	122,601
Capital reserves	*11*	**77,338**	77,338
Other reserves	*11*	**56,332**	41,771
Retained earnings	*11*	**453,027**	416,159
Total equity		**673,000**	661,891

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**18,775**	23,180
Current liabilities			
Creditors, other payables and accrued charges	*12*	**449,133**	406,327
Amounts due to customers for contract work		**49,959**	37,479
Amount due to ultimate holding company		**1,029**	5,898
Amount due to immediate holding company		**2,156**	1,980
Amount due to a fellow subsidiary		**321**	1,911
Amount due to subsidiaries of an associate		**293**	521
Amount due to a jointly controlled entity		**131**	–
Current income tax liabilities		**14,691**	7,903
Warranty provision		**6,774**	6,702
Borrowings		**367,752**	372,823
		892,239	841,544
Liabilities of disposal companies classified as held for sale	*13*	**–**	42,183
		892,239	883,727
Total liabilities		**911,014**	906,907
Total equity and liabilities		**1,584,014**	1,568,798
Net current assets		**361,656**	339,800
Total assets less current liabilities		**691,775**	685,071

Notes:

1 GENERAL INFORMATION

Good Friend International Holdings Inc. ("the Company") and its subsidiaries ("the Group") are engaged in the design and production 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, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

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.

2.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2013 but do not have a material impact on the Group:

Amendment to HKAS 1	Presentation of financial statements
HKAS 19 Amendment	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HKFRS 7 Amendment	Disclosures – Offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement

The adoption of these new standards and amendments to existing standards does not have significant impact on the Group's financial information except for additional disclosures as required by HKAS 1 Amendment "Presentation of financial statements" and HKFRS 12 "Disclosure of interests in other entities".

2 BASIS OF PREPARATION (Continued)

2.1 Changes in accounting policy and disclosures (Continued)

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact.

3 SEGMENT INFORMATION

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

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

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

3 SEGMENT INFORMATION (Continued)

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 and total assets for each reportable segment.

	Machine Tools *RMB'000*	**Parking Garage structures** *RMB'000*	**Forklift Trucks** *RMB'000*	**Total Group** *RMB'000*
For the year ended 31 December 2013				
Revenue (all from external sales)	**1,001,923**	**202,480**	**145,868**	**1,350,271**
Cost of revenue	**(742,987)**	**(165,012)**	**(132,501)**	**(1,040,500)**
Segment profit	**258,936**	**37,468**	**13,367**	**309,771**

	Machine Tools *RMB'000*	Parking Garage structures *RMB'000*	Forklift Trucks *RMB'000*	Total Group *RMB'000*
For the year ended 31 December 2012				
Revenue (all from external sales)	1,220,303	160,535	160,018	1,540,856
Cost of revenue	(950,634)	(135,401)	(145,874)	(1,231,909)
Segment profit	269,669	25,134	14,144	308,947

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

4 OTHER INCOME

	2013	2012
	RMB'000	*RMB'000*
Sale of scrap materials	**5,065**	8,455
Net exchange gain	**3,040**	–
Government subsidies	**6,619**	3,113
Repair income	**4,924**	10,094
Rental income from investment properties	**65**	292
Interest income	**5,363**	2,385
Others	**3,662**	4,373
	28,738	28,712

5 EXPENSES BY NATURE

	2013	2012
	RMB'000	*RMB'000*
Cost of inventories sold	**956,548**	1,129,644
Sales commission	**45,876**	39,773
Depreciation of property, plant and equipment	**24,863**	24,677
Depreciation of investment properties	**21**	94
Amortisation of intangible assets	**319**	2,324
Amortisation of land use rights	**943**	943
Operating lease rental on land and buildings	**9,762**	13,022
Employee benefit expenses	**112,588**	141,719
Allowance for bad and doubtful debts, net	**2,649**	5,179
Allowance for inventories, net	**5,774**	1,885
Auditor's remuneration	**1,578**	1,427
Provision for warranty	**4,936**	4,568
Loss on disposal of property, plant and equipment	**287**	730
Net exchange loss	**–**	99
Research and development expenses*	**41,697**	50,022
Transportation fees	**13,790**	17,131
Others	**54,988**	63,061
Total cost of revenue, distribution and selling expenses, administrative expenses and other operating expenses	**1,276,619**	1,496,298

* Depreciation of property, plant and equipment, amortisation of intangible assets and employee benefit expenses amounting to RMB2,183,000, RMB356,000 and RMB11,116,000 were included in research and development expenses (2012: RMB2,369,000, RMB1,208,000 and RMB19,634,000 respectively).

6 FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Interest expense:		
– Bank borrowings wholly repayable within one year	**7,964**	11,168

7 INCOME TAX EXPENSE

	2013	2012
	RMB'000	*RMB'000*
Enterprise income tax	**17,499**	17,045
Deferred tax	**21**	1,373
	17,520	18,418

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

Enterprise income tax ("EIT") is provided at 25% (2012: 25%) for enterprises in the PRC except for Hangzhou Good Friend Precision Machinery Co., Ltd. ("Hangzhou Good Friend"). In 2011, Hangzhou Good Friend renewed its New and High-Tech Enterprise status, 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 2011. Accordingly, the applicable tax rate for Hangzhou Good Friend in 2013 is 15% (2012: 15%).

8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of RMB36,868,000 (2012: RMB42,022,000) by the weighted average number of ordinary shares in issue during the year of 403,200,000 (2012: 403,200,000).

	2013	2012
Basic and diluted earnings per share *(RMB per share)*	**0.09**	0.10

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

9 DIVIDENDS

The dividends paid in 2013 and 2012 were RMB40,320,000 (RMB0.05 per share) and RMB40,320,000 (RMB0.05 per share) respectively. At a meeting of directors held on 31 March 2014, the directors resolved to recommend a final dividend of RMB0.05 (2012: RMB0.05) per share for the year ended 31 December 2013. This proposed dividend was not recognised as dividend payable in the consolidated financial statements for the year ended 31 December 2013.

	2013	2012
	RMB'000	*RMB'000*
Interim dividend paid of RMB0.05 (2012: RMB0.05) per ordinary share	**20,160**	20,160
Proposed final dividend of RMB0.05 (2012: RMB0.05) per ordinary share	**20,160**	20,160
	40,320	40,320

The proposed final dividend for the year ended 31 December 2013 is to be declared out of the share premium of the Company.

The aggregate amounts of the dividends paid and proposed during 2012 and 2013 have been disclosed in the consolidated income statement in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

10 DEBTORS, DEPOSITS AND PREPAYMENTS

	2013	2012
	RMB'000	*RMB'000*
Trade debtors and bills receivables	**589,106**	573,960
Less: provision for impairment of trade receivables	**(21,795)**	(23,240)
Trade receivables – net	**567,311**	550,720
Prepayments	**19,209**	33,089
Others	**36,033**	37,475
	622,533	621,284
Reclassified as held for sale	**–**	10,790
Total debtors, deposits and prepayments	**622,553**	632,074

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-year warranty period of the products sold.

10 DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

At 31 December 2013 and 2012, the ageing analysis of trade debtors and bills receivable were as follows:

	2013	2012
	RMB'000	*RMB'000*
Current – 30 days	**488,597**	461,395
31 – 60 days	**6,679**	11,825
61 – 90 days	**13,683**	5,353
91 – 180 days	**21,392**	25,656
Over 180 days	**58,755**	69,731
	589,106	573,960

Included in the Group's trade debtors are debtors with an aggregate carrying amount of approximately RMB110,084,000 (2012: RMB103,394,000) which were past due as at 31 December 2013 but the Group had not provided for impairment loss. The directors, after considering the trade relationship, credit status and past settlement history of these individual trade debtors, had concluded that these outstanding balances would be recovered. The Group does not hold any collateral over these balances.

11 RESERVES

			Other reserves				
	Share premium	**Capital reserve**	**General reserve**	**Enterprise expansion reserve**	**Translation**	**Retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	183,088	77,338	35,836	9,089	(1,142)	374,137	678,346
Dividends paid	(60,487)	–	–	–	–	–	(60,487)
Profit for the year	–	–	–	–	–	42,022	42,022
Currency translation difference	–	–	–	–	(2,012)	–	(2,012)
At 31 December 2012	122,601	77,338	35,836	9,089	(3,154)	416,159	657,869
Dividends paid	(40,320)	–	–	–	–	–	(40,320)
Profit for the year	–	–	–	–	–	36,868	36,868
Share of other comprehensive income of an associate	–	–	3,665	–	–	–	3,665
Currency translation difference	–	–	–	–	10,896	–	10,896
At 31 December 2013	82,281	77,338	39,501	9,089	7,742	453,027	668,978

12 CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES

	2013	2012
	RMB'000	*RMB'000*
Trade creditors	**218,424**	160,460
Advance deposits from customers	**161,632**	185,381
Other payables	**33,308**	35,077
Accrued expenses	**35,769**	25,409
	449,133	406,327
Reclassified as held for sale	**–**	32,202
	449,133	438,529

The Group normally receives credit terms of 30 to 60 days. At 31 December 2013 and 2012, the ageing analysis of the trade payables was as follows:

	2013	2012
	RMB'000	*RMB'000*
Current – 30 days	**147,068**	107,195
31 – 60 days	**47,603**	40,426
61 – 90 days	**9,841**	5,906
91 – 180 days	**10,450**	2,645
Over 180 days	**3,462**	4,288
	218,424	160,460

As at 31 December 2012, trade creditors with an aggregate carrying amount which are denominated in Euro has been reclassified as held for sale was RMB32,202,000 and the ageing of such trade creditors was either current or within 30 days.

13 Disposal of a subsidiary and an associate

The Group announced that on 27 September 2012, Sky Thrive Hong Kong Enterprise Limited ("Sky Thrive") (a subsidiary of the Group), Golden Friendship International Limited ("Golden Friendship") (a wholly owned subsidiary of the Company's ultimate holding company), World Ten Limited ("World Ten") (8.35% of its issued share capital held by the Company's ultimate holding company) and Alma S.r.l (an independent third party) entered into an agreement for the formation of FFG Europe S.p.A. ("FFG Europe") by way of asset/business injection, pursuant to which, amongst others, Sky Thrive will provide capital contribution in the form of (i) all of its 900,000 shares representing 15% interest held in Jobs Automazione S.p.A ("Jobs"); and (ii) its entire 100% equity interests in Sky Thrive Rambaudi S.r.l. ("Rambaudi"), in exchange of 30.16% equity interest in FFG Europe.

The assets and liabilities related to Rambaudi and investment in Jobs have been presented as held for sale as at 31 December 2012. Rambaudi and Jobs are both engaged in machine tools businesses. The transaction was completed on 1 January 2013.

13 Disposal of a subsidiary and an associate (Continued)

Details of the loss in the transaction are as follows:

	1 January 2013
	RMB'000
Carrying amount of net assets of Rambaudi being disposed of as at 1 January 2013	**28,431**
Carrying amount of investment in Jobs being disposed of as at 1 January 2013	**13,571**
Net assets of disposal companies reclassified as held-for-sale	**42,002**
Fair value of investment in FFG Europe as at 1 January 2013	**32,260**
Loss in the transaction	**9,742**

(a) Net asset of Rambaudi disposed of are as follows:

	1 January 2013
	RMB'000
Property, plant and equipment	**3,417**
Intangible assets	**14,542**
Inventories	**39,588**
Debtors, deposits and prepayments	**15,664**
Cash and cash equivalents	**2,277**
Creditors, other payable and accrued charges	**(32,202)**
Current income tax liabilities	**(469)**
Borrowings	**(9,981)**
Deferred income tax liabilities	**(4,405)**
Net assets disposed of	**28,431**

Net cash outflow arising on disposal of Rambaudi for the year:

	RMB'000
Cash consideration received	**–**
Less: Cash and cash equivalents held by Rambaudi	**(2,277)**
Net cash and cash equivalents disposed of	**(2,277)**

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The global economy saw sluggish growth in 2013 and China's economic growth continued to slow down. According to the data released by the National Bureau of Statistics of China, the gross domestic product (GDP) of China grew by 7.7% year on year in 2013, indicating a drop of the growth rate. The mainstream product of the Group CNC machine tools focus mainly on China market. Sales orders for the Group's CNC machine tools business were also affected by that. For the year ended 31 December 2013, sales volume and sales revenue of CNC machine tools amounted to 2,073 units and approximately RMB1,001.92 million respectively, both representing a decrease when compared to 2012. Nevertheless, the gross profit margin of CNC machine tools business increased to approximately 25.8% during the year. This was mainly attributable to the stabilization of the raw material prices.

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 year. Sales revenue of double column machining centre (manufactured at factory in Hangzhou) and milling and machining centre (manufactured by Italian vendors) amounted to approximately RMB134.45 million for the year, 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 year ended 31 December 2013, the Group recorded revenue of approximately RMB1,350.27 million, representing a decrease of approximately 12.4% as compared to 2012. During the year, sales volume of CNC machine tools, parking garage structures and forklift trucks amounted to 2,073 units, 12,396 units and 2,221 units respectively (2012 comparative figures: 2,360 units, 9,904 units and 2,524 units). CNC machine tools remained the major source of the Group's revenue. During the year, sales revenue of CNC machine tools business amounted to approximately RMB1,001.92 million, representing a decrease of approximately 17.9% as compared to 2012. Revenue of CNC machine tools accounted for approximately 74.2% of the Group's total revenue. On the other hand, sales revenue of the Group's forklift trucks business during the year was also decreased by approximately 8.8%, as compared to 2012, to approximately RMB145.87 million and approximately 10.8% of the Group's total revenue. Moreover, sales revenue of parking garage structures amounted to approximately RMB202.48 million during the year, representing an increase of approximately 26.1% as compared to 2012 and accounted for approximately 15.0% of the total revenue.

Gross profit and margin

For the year ended 31 December 2013, gross profit of the Group amounted to approximately RMB309.77 million. Overall gross profit margin was approximately 22.9%, compared to 20.1% for 2012. The gross profit margin of CNC machine tools (the Group's major product) during the year increased as compared to 2012. As a result, the overall gross profit margin for the year increased.

Distribution and selling expenses

Distribution and selling expenses amounted to approximately RMB147.53 million for the year ended 31 December 2013, and remained fairly stable as compared to 2012. During the year, distribution and selling expenses as a percentage of the Group's revenue amounted to approximately 10.9%, compared to approximately 9.6% for 2012.

Administrative expenses

Under the stringent control of the operating expenses by the management, the administrative expenses for the year ended 31 December 2013 decreased by approximately 23.9% as compared to 2012. Included in the administrative expenses for the year were those research and development expenses amounted to approximately RMB41.70 million. (2012: RMB50.02 million). Such decrease of the research and development expenses was in line with the decrease of the sales revenue of CNC machine tools (the Group's major product) during the year.

Finance costs

During the year, finance costs decreased to approximately RMB7.96 million. The decrease was primarily due to the decrease of average bank borrowings of the Group during 2013.

Share of loss of an associate

The amount represented the Group's share of loss of the associate "FFG Europe", located in Italy, for the year ended 31 December 2013.

Profit attributable to the equity holders of the Company

For the year ended 31 December 2013, profit attributable to the equity holders of the Company amounted to approximately RMB36.87 million, representing a decrease of approximately 12.3% as compared to 2012.

Strategic acquisition

In October 2013, the Group (together with the other shareholders) incorporated FFG Werke GmbH ("FFG Werke") in Germany, with the Group holding 13.50% share capital of FFG Werke. In December 2013, the Group provided further equity contribution and shareholder's loan to FFG Werke in the total amount of Euro 1,717,500 for its acquisition of the industrial equipment division of MAG IAS GmbH ("MAG", a limited liability company incorporated in Germany).

MAG is a leading manufacturing technology group with over 2,200 employees, generating an annual turnover of approximately 750 million Euros (or approximately USD1,000 million). The industrial equipment division of MAG covers renowned machine tools brands including "Huller Hille", "Hessapp", "Honsberg", "Modul", "Witzig & Frank", "Boehringer-VDF" and a Russian sales and service entity.

The management believes that, the acquisition of the industrial equipment division of MAG by FFG Werke could benefit the Group by providing access to the renowned brands of the business. The product portfolio of the Group could be further enhanced which would be beneficial to the business development as well as the operating results of the Group.

Liquidity and financial resources

As at 31 December 2013, the Group had net current assets of approximately RMB361.66 million (2012: RMB339.80 million), shareholders' fund of approximately RMB673.00 million (2012: RMB661.89 million) and short-term bank borrowings of approximately RMB367.75 million (2012: RMB372.82 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 2013 amounted to approximately RMB235.83 million (2012: RMB109.55 million). The current ratio (ratio of total current assets to total current liabilities) of the Group was approximately 1.4 times (2012: 1.4 times). The gearing ratio (ratio of total debts to total assets) was approximately 23.2% (2012: 23.8%), 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 2013 was HK$4,032,000 divided into 403,200,000 shares of HK$0.01 each (at 31 December 2012: HK$4,032,000 divided into 403,200,000 shares of HK$0.01 each).

The Group generally finances its operations with internally generated cash flows and loans facilities provided by banks. As of 31 December 2013, the total outstanding short-term borrowings stood at approximately RMB367.75 million (2012: RMB372.82 million). Borrowing methods used by the Group mainly include bank loans. The Group had no interest rate hedging arrangement during the year.

Staff and remuneration policies

As at 31 December 2013, the Group employed a total of 1,400 (2012: 1,600) full-time employees in Hong Kong and China. The total staff costs (including Directors' fee and emoluments) amounted to approximately RMB123.70 million (2012: RMB161.35 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 has adopted a share option scheme for the purpose of providing incentive and rewards to eligible participants for their contributions to the Group. No share option was granted by the Group since its adoption.

The employees of the Company's subsidiaries join a state-managed social welfare scheme operated by the local government of China and the employees in Hong Kong participate in the Mandatory Provident Fund Scheme. During the year under review, the Group contributed approximately RMB9.58 million (2012: RMB8.74 million) to the said schemes.

Capital commitments and contingencies

The Group has made capital expenditure commitments mainly for property, plant and equipment of approximately RMB0.98 million (2012: RMB2.40 million) which are contracted but not provided in the financial statements. The Group had no material contingent liabilities as at 31 December 2013 (2012: Nil).

Charges on the Group's assets

As at 31 December 2013, restricted bank deposits with an amount of approximately RMB60.17 million (2012: RMB22.96 million) represented deposits placed in banks for guarantees issued for trade finance facilities used by the Group.

Meanwhile, subsidiaries of the Company pledged its land and buildings with an aggregate carrying amount of approximately RMB5.39 million (2012: RMB5.53 million) to secure general banking facilities granted to them. As at 31 December 2013, the subsidiaries have utilised such secured bank facilities of RMB1,250,000.

Foreign exchange risk

The Group mainly operates in China. During the year ended 31 December 2013, 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 their 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

Looking ahead to 2014, with the improvement of the global economic environment, a stable growth in the economy of China is anticipated. China is the largest machine tools consuming country. The formulation of the 12th Five Year Plan (2011-2015) by the central government of China would stimulate the demand of machine tools from the industries of high-speed railway, aerospace, motor vehicle and energy especially demand of those hi-tech CNC machine tools. This in turn will benefit the Group's CNC machine tools business. 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 business environment, the Group will continue to strengthen its business foundation under a consistent cautions manner under tough market environment. The management is optimistic on the long-term development prospects of the Group.

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

APPRECIATION

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

FINAL DIVIDEND

The Board proposed, subject to approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 13 June 2014, a final dividend out of the share premium account of the Company of RMB0.05 (equivalent to approximately HK$0.063 according to the average mean rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China at the date of this announcement) per share for the year ended 31 December 2013, amounting to RMB20.16 million (equivalent to approximately HK$25.40 million) payable to shareholders whose names appear on the register of members of the Company on Wednesday, 25 June 2014. The payment date of the final dividend will be announced later.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 10 June 2014 to Friday, 13 June 2014, both days inclusive, during which no transfer of shares will be effected. In order to qualify for attendance and voting at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Monday, 9 June 2014.

The register of members will also be closed from Monday, 23 June 2014 to Wednesday, 25 June 2014, both days inclusive, during which no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Friday, 20 June 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. The chairman of the Board was unable to attend the annual general meeting held on 30 May 2013 due to his business trip and Mr. Chen Hsiang-Jung, an executive Director, took the chair pursuant to the Articles of Association of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules for securities transaction by the Directors. Upon enquiry by the Company, all Directors have confirmed that, for the year ended 31 December 2013, they have complied with the required standards set out in the Model Code regarding securities transactions by the Directors.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code as set out in Appendix 14 of 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 consolidated financial statements of the Group for the year ended 31 December 2013.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2013. The procedures performed by PricewaterhouseCoopers 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 2013.

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

Hong Kong, 31 March 2014

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.