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 2017

The board (the "Board") of directors (the "Directors") of Good Friend International Holdings Inc. (the "Company") presents the consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 and the Group's consolidated statement of financial position at 31 December 2017, together with the relevant comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*3*	**1,294,801**	1,082,336
Cost of revenue	*3*	**(982,286)**	(787,185)
Gross profit		**312,515**	295,151
Other income	*4*	**47,966**	45,643
Distribution and selling expenses		**(139,925)**	(122,398)
Administrative expenses		**(119,100)**	(112,639)
Other operating expenses		**(1,936)**	(1,825)
Finance costs	*5*	**(8,803)**	(9,897)
Share of profit (loss) of joint ventures		**1,893**	(476)
Share of loss of associates		**(7,544)**	(5,909)
Profit before income tax	*6*	**85,066**	87,650
Income tax expense	*7*	**(19,376)**	(26,901)
Profit attributable to equity holders of the Company		**65,690**	60,749

	NOTES	2017 RMB'000	2016 RMB'000
Other comprehensive income (loss):			
Items that will not be reclassified to profit or loss:			
Share of other comprehensive loss of associates		**(522)**	(1,352)
Items that may be reclassified subsequently to profit or loss：			
Share of other comprehensive (loss) income of associates		**(47,272)**	5,726
Exchange difference arising on translation of foreign operations		**25,600**	6,602
Total comprehensive income for the year, attributable to equity holders of the Company		**43,496**	71,725
Earnings per share attributable to the equity holders of the Company *(expressed in RMB per share)*			
– Basic and diluted earnings per share	*8*	**0.16**	0.15
Dividends	*9*	**20,160**	12,096

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	2017 RMB'000	2016 RMB'000
Non-current assets			
Prepaid lease payments		**123,052**	121,148
Property, plant and equipment		**180,401**	195,332
Intangible assets		**3,203**	3,431
Investments in joint ventures		**18,387**	16,494
Investments in associates		**355,917**	385,655
Deferred income tax assets		**22,401**	21,701
		703,361	743,761
Current assets			
Inventories		**345,626**	202,828
Debtors, deposits and prepayments	*10*	**541,941**	499,083
Prepaid lease payments		**2,905**	2,707
Amounts due from customers for contract work		**50,270**	40,692
Amount due from ultimate holding company		**1,053**	2,110
Amounts due from fellow subsidiaries and associates of ultimate holding company		**1,476**	2,518
Amounts due from joint ventures		**852**	922
Amounts due from associates and subsidiaries of an associate		**119,083**	81,629
Restricted bank deposits		**32,716**	33,163
Cash and cash equivalents		**174,211**	177,946
		1,270,133	1,043,598

	NOTES	2017 RMB'000	2016 RMB'000
Current liabilities			
Amounts due to customers for contract work		**42,813**	31,682
Creditors, other payables and accrued charges	*11*	**589,692**	490,737
Amount due to ultimate holding company		**7,400**	2,388
Amount due to immediate holding company		**2,123**	619
Amounts due to fellow subsidiaries and associates of ultimate holding company		**3,673**	5,503
Amounts due to an associate and subsidiaries of an associate		**37,327**	7,981
Amounts due to joint ventures		**608**	192
Current income tax liabilities		**28,091**	26,219
Bank borrowings		**367,428**	350,772
Warranty provision		**5,755**	6,018
		1,084,910	922,111
Net current assets		**185,223**	121,487
Total assets less current liabilities		**888,584**	865,248
Non-current liability			
Deferred revenue		**61,180**	61,180
Net assets		**827,404**	804,068
Capital and Reserves			
Share capital		**4,022**	4,022
Share premium		**82,281**	82,281
Capital reserves		**77,338**	77,338
Other reserves		**39,576**	61,248
Retained earnings		**624,187**	579,179
Total equity		**827,404**	804,068

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL

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

The Company was incorporated in the Cayman Islands. The address of its registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company's shares have been listed on the Main Board of the Stock Exchange since 11 January 2006. In addition, 67,200,000 units of Taiwan depositary receipts ("TDRs"), representing 67,200,000 newly issued shares of the Company, were issued and listed on the Taiwan Stock Exchange Corporation ("Taiwan Stock Exchange") on 18 March 2010. Good Friend (H.K.) Corporation Limited, a company incorporated in Hong Kong, and Fair Friend Enterprise Company Limited, a company incorporated in Taiwan, are the immediate holding company and the ultimate holding company, respectively.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") in the current year:

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items will be provided in the consolidated financial statements for the year ended 31 December 2017. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in the consolidated financial statements for the year ended 31 December 2017, the application of these amendments has had no impact on the Group's consolidated financial statements.

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 structures; and (3) forklift trucks.

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

The Group does not allocate distribution and selling expenses, administrative expenses, other operating expenses or assets to its segments, as the Executive Directors do not use this information to allocate resources to or evaluate the performance of the operating segments. Therefore, the Group does not report a measure of profit 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 2017				
Revenue (all from external sales)	**1,009,354**	**186,165**	**99,282**	**1,294,801**
Cost of revenue	**(737,198)**	**(154,055)**	**(91,033)**	**(982,286)**
Segment profit	**272,156**	**32,110**	**8,249**	**312,515**

	Machine Tools *RMB'000*	Parking Garage structures *RMB'000*	Forklift Trucks *RMB'000*	Total Group *RMB'000*
For the year ended 31 December 2016				
Revenue (all from external sales)	760,047	236,048	86,241	1,082,336
Cost of revenue	(533,638)	(175,632)	(77,915)	(787,185)
Segment profit	226,409	60,416	8,326	295,151

Majority of the Group's operations and assets are located in the PRC and the Group mainly sells to the PRC market. No customers contributed over 10% of total revenue for each of the years.

4. OTHER INCOME

	2017 *RMB'000*	2016 *RMB'000*
Sale of scrap materials	**9,055**	8,890
Government grants and subsidies related to income*	**22,182**	18,397
Repair income	**10,888**	8,509
Rental income	**1,427**	708
Interest income	**4,261**	8,201
Others	**153**	938
	47,966	45,643

* *Government grants and subsidies mainly represent the refund of value-added tax in relation to software embedded in the sales of machine tools and parking garage structures. These grants and subsidies are accounted for as immediate financial support with neither future related costs expected to be incurred nor related to any assets. The Group recognised the government grants and subsidies in the consolidated statement of profit or loss and other comprehensive income when it has fulfilled all the conditions specified in the subsidy notice or relevant law and regulations.*

5. FINANCE COSTS

	2017 *RMB'000*	2016 *RMB'000*
Interest expense:		
– Bank borrowings	**8,803**	9,897

6. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	2017	2016
	RMB'000	*RMB'000*
Directors and chief executives' remuneration	**1,839**	2,185
Other staff costs	**151,001**	133,352
Other staff's retirement benefits scheme contributions	**5,036**	4,614
Total staff costs	**157,876**	140,151
Auditor's remuneration	**1,984**	1,972
Cost of inventories recognised as an expense	**884,532**	692,131
Depreciation of property, plant and equipment	**22,343**	25,342
Amortisation of intangible assets	**1,403**	1,233
Allowance (reversal) for trade debtors impairment	**5,505**	(2,720)
(Reversal) allowance for inventories impairment	**(2,981)**	1,550
Warranty expenses	**6,282**	5,044
Direct operating expenses incurred for rental income	**2,258**	1,220
Loss on disposal of property, plant and equipment	**37**	341
Net exchange (gain) loss	**(920)**	10,800
Research and development costs recognised as expense*	**30,771**	23,399

* *The amount disclosed above does not include depreciation of property, plant and equipment, amortisation of intangible assets and staff costs charged to research and development cost recognised as expense amounting to RMB726,000, RMB437,000 and RMB11,862,000 (2016: RMB1,001,000, RMB428,000 and RMB11,918,000) respectively. Such expenses are included in their corresponding headings within this note.*

7. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current tax		
– Current year	**18,347**	35,037
– Under provision in prior years	**1,729**	610
	20,076	35,647
PRC withholding tax	**–**	6,645
Deferred tax credit	**(700)**	(15,391)
	19,376	26,901

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

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% for enterprises in the PRC except for Hangzhou Good Friend Precision Machinery Co., Ltd. ("Hangzhou Good Friend"). Hangzhou Good Friend renewed its New and High-Tech Enterprise status in 2017, 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 2017. Accordingly, the applicable tax rate for Hangzhou Good Friend in 2017 is 15% (2016: 15%).

8. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company of RMB65,690,000 (2016: RMB60,749,000) by the number of ordinary shares in issue 403,200,000 (2016: 403,200,000).

	2017	2016
Basic and diluted earnings per share *(RMB per share)*	**0.16**	0.15

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

9. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2017 interim dividend – RMB0.05 (2016: 2015 final dividend RMB0.03) per ordinary share	**20,160**	12,096

At a meeting of the board of directors held on 28 March 2018, the directors of the Company resolved to recommend a final dividend of RMB0.06 (2016: Nil) per ordinary share for the year ended 31 December 2017. The proposed final dividend was not recognised as dividend payable in the consolidated financial statements for the year ended 31 December 2017.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	2017	2016
	RMB'000	*RMB'000*
Trade debtors and bills receivables	**515,275**	484,785
Less: provision for impairment of trade debtors	**(37,811)**	(33,792)
Trade debtors and bills receivables – net	**477,464**	450,993
Prepayments	**41,662**	19,521
Others	**22,815**	28,569
Total debtors, deposits and prepayments	**541,941**	499,083

The Group generally allows a credit period of 30 to 180 days to its customers. The Group also allows its customers to retain certain percentage of the outstanding balances as retention money for a one or two-year warranty period of the products sold.

At 31 December 2017 and 2016, the ageing analysis of gross trade debtors and bills receivables based on due date was as follows:

	2017	2016
	RMB'000	*RMB'000*
Current – 30 days	**397,841**	367,010
31 – 60 days	**6,943**	10,305
61 – 90 days	**8,576**	7,184
91 – 180 days	**20,052**	15,989
Over 180 days	**81,863**	84,297
Trade debtors and bills receivables	**515,275**	484,785

11. CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES

	2017	2016
	RMB'000	*RMB'000*
Trade creditors	**196,462**	203,499
Advance deposits from customers	**296,284**	194,990
Other payables	**54,170**	50,888
Accrued expenses	**42,776**	41,360
Total creditors, other payables and accrued charges	**589,692**	490,737

The Group normally receives credit terms of 30 to 60 days. At 31 December 2017 and 2016, the ageing analysis of the trade creditors was as follows:

	2017	2016
	RMB'000	*RMB'000*
Current – 30 days	**113,021**	134,078
31 – 60 days	**51,625**	48,156
61 – 90 days	**7,592**	5,219
91 –180 days	**12,499**	3,062
Over 180 days	**11,725**	12,984
	196,462	203,499

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

China's economic growth remained steady in 2017. According to the economic data released by the National Bureau of Statistics of China, China's gross domestic product ("GDP") for 2017 grew by 6.9% year-on-year. For the year ended 31 December 2017, sales volume and sales revenue of CNC machine tools amounted to 2,067 units and approximately RMB1,009.35 million respectively, both representing an increase when compared to 2016. Moreover, the gross profit margin of CNC machine tools business decreased to approximately 27.0% during the year. This was attributable to the change of products mix during the year.

During the year, the Group continued to offer high-end CNC machine tools products to the customers. The sales of high-end CNC machine tools products produced by German and Italian manufacturers accounted totally for approximately RMB142.17 million during the year, representing approximately 14.1% of the Group's sales of 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 2017, the Group recorded revenue of approximately RMB1,294.80 million, representing an increase of approximately 19.6% as compared to 2016. During the year, sales volume of CNC machine tools, parking garage structures and forklift trucks amounted to 2,067 units, 13,727 units and 1,679 units respectively (2016 comparative figures: 1,611 units, 17,529 units and 1,433 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 RMB1,009.35 million, representing an increase of approximately 32.8% as compared to 2016. Revenue of CNC machine tools accounted for approximately 78.0% of the Group's total revenue. On the other hand, sales revenue of the Group's parking garage structures business amounted to approximately RMB186.17 million during the year, representing a decrease of approximately 21.1% as compared to 2016 and accounted for approximately 14.4% of the total revenue. Moreover, sales revenue of the Group's forklift trucks business during the year increased by approximately 15.1%, as compared to 2016, to approximately RMB99.28 million and approximately 7.6% of the Group's total revenue.

Gross profit and margin

For the year ended 31 December 2017, gross profit of the Group amounted to approximately RMB312.52 million. Overall gross profit margin was approximately 24.1%, compared to 27.3% for 2016. The gross profit margin of CNC machine tools (the Group's major product) during the year decreased to approximately 27.0%, compared to approximately 29.8% for 2016. As a result, the overall gross profit margin for the year decreased compared to 2016.

Distribution and selling expenses

Distribution and selling expenses, amounted to approximately RMB139.93 million for the year ended 31 December 2017, increased by approximately 14.3% as compared to last year. During the year, distribution and selling expenses as a percentage of the Group's revenue amounted to approximately 10.8%, compared to approximately 11.3% for 2016.

Administrative expenses

Administrative expenses for the year ended 31 December 2017 increased by approximately 5.7% as compared to 2016. This was mainly attributable to the increase in China's staff costs during the year.

Finance costs

During the year, finance costs decreased to approximately RMB8.80 million. The decrease was primarily due to the decrease of average bank borrowings of the Group during 2017.

Share of loss of associates

For the year ended 31 December 2017, share of loss of associates amounted to approximately RMB7.54 million. The amount represented the Group's share of operating results of the associate "FFG Europe" (located in Italy), the associate "FFG European and American" (located in Germany), and the associate "FFG Werke" (located in Germany) during the year.

Profit attributable to the equity holders of the Company

For the year ended 31 December 2017, profit attributable to the equity holders of the Company amounted to approximately RMB65.69 million, representing an increase of approximately 8.1% as compared to 2016.

Liquidity and financial resources

As at 31 December 2017, the Group had net current assets of approximately RMB185.22 million (2016: RMB121.49 million), shareholders' fund of approximately RMB827.40 million (2016: RMB804.07 million) and short-term bank borrowings of approximately RMB367.43 million (2016: RMB350.77 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 2017 amounted to approximately RMB174.21 million (2016: RMB177.95 million). The current ratio (ratio of total current assets to total current liabilities) of the Group was approximately 1.2 times (2016: 1.1 times). The gearing ratio (ratio of total debts to total assets) was approximately 18.6% (2016: 19.6%), 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 2017 was HK$4,032,000 divided into 403,200,000 shares of HK$0.01 each (at 31 December 2016: 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 at 31 December 2017, the total outstanding short-term borrowings stood at approximately RMB367.43 million (2016: RMB350.77 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 2017, the Group employed a total of 1,240 (2016: 1,300) full-time employees in Hong Kong and China. The total staff costs (including Directors' fee and emoluments) amounted to approximately RMB157.88 million (2016: RMB140.15 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 had 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 ended 31 December 2017, the Group contributed approximately RMB5.04 million (2016: RMB4.61 million) to the said schemes.

Capital commitments and contingencies

The Group's capital expenditure commitments for property, plant and equipment amounted to approximately RMB2.62 million (2016: Nil) which are contracted but not provided in the consolidated financial statements for the year ended 31 December 2017. The Group had no material contingent liabilities as at 31 December 2017 (2016: Nil).

Charges on the Group's assets

As at 31 December 2017, restricted bank deposits with an amount of approximately RMB32.72 million (2016: RMB33.16 million) represented mainly deposits placed in banks for guarantees issued for finance facilities used by the Group.

Meanwhile, subsidiaries of the Company pledged its land and buildings with an aggregate carrying amount of approximately RMB11.78 million (2016: RMB12.60 million) to secure general banking facilities granted to them. As at 31 December 2017, the subsidiaries have not utilized such secured bank facilities (2016: RMB1.83 million).

Foreign exchange risk

The Group mainly operates in China. During the year ended 31 December 2017, 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 had no hedging activities during the year. However, the management of the Group has been monitoring the exchange rate risk, and will consider hedging against major foreign currency risk when required.

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

2018 is a crucial year in carrying out the "13th Five-Year" Plan of China. The economy of China will continue to develop in a stable and positive manner, China is the largest machine tools consuming country. It is anticipated that the demand of machine tools from the industries of high-speed railway, transit rails, aerospace, and energy in China, especially demand of those high-end CNC machine tools, would still be great. This in turn will benefit the Group's CNC machine tools business. The Group will continue to explore and sell those high-end CNC machine tools products (production of such primarily from Italy and Germany) to the customers. The management believes that with its extensive sales network and comprehensive after-sales service, solid business foundation as well as outstanding product quality, the Group is capable of meeting customers' different needs and continue to strengthen its market position.

Looking ahead, the Group will continue to strengthen its business foundation under a consistent cautious manner under tough market environment, in order to weather against the volatility and uncertainty of the market condition ahead. On the other hand, the management will continue to look for appropriate investing projects or acquisition activities so as to increase the competitive edge of the Group. The Group is committed to becoming an international CNC machine tools manufacturer. The management is optimistic on the long-term development prospects of the Group.

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.

ACKNOWLEDGEMENT

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, a final dividend of RMB0.06 (equivalent to approximately HK$0.075 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 2017, amounting to RMB24.19 million (equivalent to approximately HK$30.24 million), according to number of existing issued ordinary shares.

The dates of closure of register of members, record date and payment date of the proposed final dividend will be announced later.

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 of the Company held on 1 June 2017 due to his business trip and Mr. Chen Hsiang-Jung, an executive Director, took the chair of the annual general meeting 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 2017, 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. The duties of the Audit Committee includes review and supervise the financial reporting process and risk management and internal control systems 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 2017.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu 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 2017.

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

Hong Kong, 28 March 2018

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.