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 2014

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 2014 and the Group's consolidated statement of financial position at 31 December 2014, together with the relevant comparative figures for the previous year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**1,300,119**	1,350,271
Cost of revenue	*3*	**(955,225)**	(1,040,500)
Gross profit		**344,894**	309,771
Other income	*4*	**33,520**	28,738
Distribution and selling expenses	*5*	**(129,480)**	(147,533)
Administrative expenses	*5*	**(99,528)**	(86,025)
Other operating expenses	*5*	**(4,144)**	(2,561)
Operating profit		**145,262**	102,390
Finance costs	*6*	**(9,174)**	(7,964)
Share of loss of joint ventures		**(2,458)**	(3,975)
Share of loss of an associate		**(8,559)**	(26,321)
Loss on disposal of a subsidiary and an associate		**–**	(9,742)
Profit before income tax		**125,071**	54,388
Income tax expense	*7*	**(23,758)**	(17,520)
Profit attributable to equity holders of the Company		**101,313**	36,868
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income of an associate		**162**	3,665
Currency translation differences		**(3,428)**	10,896
Total comprehensive income for the year attributable to equity holders of the Company		**98,047**	51,429
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)			
Basic and diluted earnings per share	*8*	**0.25**	0.09
Dividends	*9*	**48,384**	40,320

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
Assets			
Non-current assets			
Land use rights		**37,538**	38,481
Property, plant and equipment		**227,448**	256,100
Investment properties		**9,419**	249
Intangible assets		**1,696**	1,458
Investments in joint ventures		**18,357**	17,576
Investment in an associate		**1,207**	9,604
Available-for-sale financial asset		**571**	571
Deferred income tax assets		**6,144**	4,520
Deposits for purchases of plant and equipment		**–**	1,560
		302,380	330,119
Current assets			
Inventories		**257,257**	279,016
Debtors, deposits and prepayments	*10*	**513,983**	622,553
Amount due from an investee		**12,525**	13,988
Amounts due from customers for contract work		**32,494**	24,651
Amount due from ultimate holding company		**532**	1,912
Amounts due from and prepayment to fellow subsidiaries and an associate of ultimate holding company		**296**	1,786
Amount due from joint ventures		**891**	1,498
Amount due from subsidiaries of an associate		**12,274**	12,495
Restricted bank deposits		**134,681**	60,167
Term deposits with initial term of over three months		**98,000**	24,000
Cash and cash equivalents		**262,751**	211,829
		1,325,684	1,253,895
Total assets		**1,628,064**	1,584,014
Equity			
Equity attributable to equity holders of the Company			
Share capital		**4,022**	4,022
Share premium	*11*	**82,281**	82,281
Capital reserves	*11*	**77,338**	77,338
Other reserves	*11*	**53,066**	56,332
Retained earnings	*11*	**509,988**	453,027
Total equity		**726,695**	673,000

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**16,118**	18,775
Current liabilities			
Creditors, other payables and accrued charges	*12*	**410,211**	449,133
Amounts due to customers for contract work		**42,800**	49,959
Amount due to ultimate holding company		**1,716**	1,029
Amount due to immediate holding company		**3,447**	2,156
Amount due to a fellow subsidiary and an associate of ultimate holding company		**784**	321
Amount due to subsidiaries of an associate		**1,128**	293
Amount due to joint ventures		**76**	131
Current income tax liabilities		**16,681**	14,691
Warranty provision		**6,329**	6,774
Borrowings		**402,079**	367,752
		885,251	892,239
Total liabilities		**901,369**	911,014
Total equity and liabilities		**1,628,064**	1,584,014
Net current assets		**440,433**	361,656
Total assets less current liabilities		**742,813**	691,775

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.

The consolidated financial statements are prepared in accordance with applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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 standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

Amendment to HKAS 32, "Financial instruments: Presentation" on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group's financial statements.

Amendments to HKAS 36, "Impairment of assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units ("CGUs") which had been included in HKAS 36 by the issue of HKFRS 13.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2 BASIS OF PREPARATION (Continued)

2.1 Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations not yet adopted:

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. 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. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKAS 9's full impact.

HKFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKAS 15.

There are no other HKFRS or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

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.

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 2014				
Revenue (all from external sales)	**964,771**	**205,808**	**129,540**	**1,300,119**
Cost of revenue	**(670,124)**	**(167,124)**	**(117,977)**	**(955,225)**
Segment profit	**294,647**	**38,684**	**11,563**	**344,894**

	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

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

	2014	2013
	RMB'000	*RMB'000*
Sale of scrap materials	**7,542**	5,065
Net exchange gain	**–**	3,040
Government subsidies	**1,550**	6,619
Repair income	**6,646**	4,924
Rental income from investment properties	**2,108**	65
Interest income	**9,995**	5,363
Others	**5,679**	3,662
	33,520	28,738

5 EXPENSES BY NATURE

	2014	2013
	RMB'000	*RMB'000*
Cost of inventories sold	**868,176**	956,548
Sales commission	**24,461**	45,876
Depreciation of property, plant and equipment	**26,162**	24,863
Depreciation of investment properties	**20**	21
Amortisation of intangible assets	**415**	319
Amortisation of land use rights	**943**	943
Operating lease rental on land and buildings	**9,102**	9,762
Employee benefit expenses	**118,908**	112,588
Allowance for bad and doubtful debts, net	**15,306**	2,649
Allowance for inventories, net	**7,009**	5,774
Auditor's remuneration	**1,410**	1,578
Provision for warranty	**6,766**	4,936
Direct operating expenses arising from investment properties that generated rental income	**1,938**	–
Loss on disposal of property, plant and equipment	**296**	287
Net exchange loss	**2,849**	–
Research and development expenses*	**36,691**	41,697
Transportation fees	**13,772**	13,790
Others	**54,153**	54,988
Total cost of revenue, distribution and selling expenses, administrative expenses and other operating expenses	**1,188,377**	1,276,619

* Depreciation of property, plant and equipment, amortisation of intangible assets and employee benefit expenses amounting to RMB1,898,000, RMB286,000 and RMB11,232,000 were included in research and development expenses (2013: RMB2,183,000, RMB356,000 and RMB11,116,000 respectively).

6 FINANCE COSTS

	2014 *RMB'000*	2013 *RMB'000*
Interest expense:		
– Bank borrowings wholly repayable within one year	**9,174**	7,964

7 INCOME TAX EXPENSE

	2014 *RMB'000*	2013 *RMB'000*
Enterprise income tax	**25,382**	17,499
Deferred tax	**(1,624)**	21
	23,758	17,520

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"). In 2014, 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 2014. Accordingly, the applicable tax rate for Hangzhou Good Friend in 2014 is 15% (2013: 15%).

8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of RMB101,313,000 (2013: RMB36,868,000) by the weighted average number of ordinary shares in issue during the year of 403,200,000 (2013: 403,200,000).

	2014	2013
Basic and diluted earnings per share *(RMB per share)*	**0.25**	0.09

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

9 DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Interim dividend paid of RMB0.06 (2013: RMB0.05) per ordinary share	**24,192**	20,160
Proposed final dividend of RMB0.06 (2013: RMB0.05) per ordinary share	**24,192**	20,160
	48,384	40,320

The proposed final dividend for the year ended 31 December 2014 is to be declared out of the retained earnings of the Company.

The aggregate amounts of the dividends paid and proposed during 2013 and 2014 have been disclosed in the consolidated income statement in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

10 DEBTORS, DEPOSITS AND PREPAYMENTS

	2014	2013
	RMB'000	*RMB'000*
Trade debtors and bills receivables	**500,438**	589,106
Less: provision for impairment of trade receivables	**(36,544)**	(21,795)
Trade receivables – net	**463,894**	567,311
Prepayments	**25,667**	19,209
Others	**24,422**	36,033
Total debtors, deposits and prepayments	**513,983**	622,553

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 2014 and 2013, the ageing analysis of trade debtors and bills receivable based on due date were as follows:

	2014	2013
	RMB'000	*RMB'000*
Current – 30 days	**383,483**	488,597
31 – 60 days	**5,141**	6,679
61 – 90 days	**11,542**	13,683
91 – 180 days	**20,366**	21,392
Over 180 days	**79,906**	58,755
	500,438	589,106

Included in the Group's trade debtors are debtors with an aggregate carrying amount of approximately RMB108,229,000 (2013: RMB110,084,000) which were past due as at 31 December 2014 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 2013	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
Dividends paid	–	–	–	–	–	(44,352)	(44,352)
Profit for the year	–	–	–	–	–	101,313	101,313
Share of other comprehensive income of an associate	–	–	–	–	162	–	162
Currency translation difference	–	–	–	–	(3,428)	–	(3,428)
At 31 December 2014	82,281	77,338	39,501	9,089	4,476	509,988	722,673

12 CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES

	2014	2013
	RMB'000	*RMB'000*
Trade creditors	**204,785**	218,424
Advance deposits from customers	**118,682**	161,632
Other payables	**41,847**	33,308
Accrued expenses	**44,897**	35,769
	410,211	449,133

The Group normally receives credit terms of 30 to 60 days. At 31 December 2014 and 2013, the ageing analysis of the trade payables was as follows:

	2014	2013
	RMB'000	*RMB'000*
Current – 30 days	**116,788**	147,068
31 – 60 days	**57,515**	47,603
61 – 90 days	**4,657**	9,841
91 – 180 days	**9,853**	10,450
Over 180 days	**15,972**	3,462
	204,785	218,424

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The global economy saw sluggish growth in 2014 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 7.4% year on year in 2014. The year-on-year growth slowed down further, marking the slowest growth rate since 1990. China has entered into a new economic norm, switching from fast growth to medium to fast growth. 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 2014, sales volume and sales revenue of CNC machine tools amounted to 2,102 units and approximately RMB964.77 million respectively, both representing a decrease when compared to 2013. Nevertheless, the gross profit margin of CNC machine tools business increased to approximately 30.5% during the year. This was attributable to the decrease of the raw material prices during the year.

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 RMB140.51 million for the year, accounted for approximately 14.6% 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.

On the other hand, FFG Werke GmbH ("FFG Werke", an entity incorporated in Germany), in which the Group holding 13.50% equity interests, recorded encouraging results in its turnover and operating performance in 2014 which was its first year of operations. The management believes that FFG Werke would be beneficial to the future business development as well as the results of the Group; whilst those renowned machines tools brands under FFG Werke could further enhance the product portfolio of the Group. Moreover, the Group has incorporated a wholly-owned entity at China (Shanghai) Pilot Free Trade Zone in 2014. The activities of this Shanghai entity is mainly to exploring and selling the high-end machine tools brands of FFG Werke (including "Huller Hille") to the customers in China.

Financial Review

Revenue

For the year ended 31 December 2014, the Group recorded revenue of approximately RMB1,300.12 million, representing a decrease of approximately 3.7% as compared to 2013. During the year, sales volume of CNC machine tools, parking garage structures and forklift trucks amounted to 2,102 units, 13,215 units and 1,997 units respectively (2013 comparative figures: 2,073 units, 12,396 units and 2,221 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 RMB964.77 million, representing a decrease of approximately 3.7% as compared to 2013. Revenue of CNC machine tools accounted for approximately 74.2% of the Group's total revenue. On the other hand, sales revenue of forklift trucks amounted to approximately RMB129.54 million during the year, representing a decrease of approximately 11.2% as compared to 2013 and accounted for approximately 10% of the total revenue. Moreover, sales revenue of the Group's parking garage structures business during the year was increased by approximately 1.6%, as compared to 2013, to approximately RMB205.81 million and approximately 15.8% of the Group's total revenue.

Gross profit and margin

For the year ended 31 December 2014, gross profit of the Group amounted to approximately RMB344.89 million. Overall gross profit margin was approximately 26.5%, compared to 22.9% for 2013. The gross profit margin of CNC machine tools (the Group's major product) during the year increased as compared to 2013. As a result, the overall gross profit margin for the year increased.

Distribution and selling expenses

Distribution and selling expenses amounted to approximately RMB129.48 million for the year ended 31 December 2014 representing a decrease of 12.2% as compared to last year. This was mainly attributable to the stringent control of the corresponding expenses by the management. During the year, distribution and selling expenses as a percentage of the Group's revenue amounted to approximately 10.0%, compared to approximately 10.9% for 2013.

Administrative expenses

Administrative expenses for the year ended 31 December 2014 increased by approximately 15.7% as compared to 2013. This was mainly attributable to the increase of the allowance for bad and doubtful debts.

Finance costs

During the year, finance costs increased to approximately RMB9.17 million. The increase was primarily due to the increase of average bank borrowings of the Group during 2014.

Share of loss of an associate

For the year ended 31 December 2014, share of loss of an associate amounted to approximately RMB8.56 million. The amount represented the Group's share of loss of the associate "FFG Europe", located in Italy, during the year. The decrease of the share of loss was due to the significant improvement of the operating results of FFG Europe during the year.

Profit attributable to the equity holders of the Company

For the year ended 31 December 2014, profit attributable to the equity holders of the Company amounted to approximately RMB101.31 million, representing an increase of approximately 174.8% as compared to 2013.

Liquidity and financial resources

As at 31 December 2014, the Group had net current assets of approximately RMB440.43 million (2013: RMB361.66 million), shareholders' fund of approximately RMB726.70 million (2013: RMB673.00 million) and short-term bank borrowings of approximately RMB402.08 million (2013: RMB367.75 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 2014 amounted to approximately RMB262.75 million (2013: RMB211.83 million). The current ratio (ratio of total current assets to total current liabilities) of the Group was approximately 1.5 times (2013: 1.4 times). The gearing ratio (ratio of total debts to total assets) was approximately 24.7% (2013: 23.2%), 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 2014 was HK$4,032,000 divided into 403,200,000 shares of HK$0.01 each (at 31 December 2013: 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 2014, the total outstanding short-term borrowings stood at approximately RMB402.08 million (2013: RMB367.75 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 2014, the Group employed a total of 1,500 (2013: 1,400) full-time employees in Hong Kong and China. The total staff costs (including Directors' fee and emoluments) amounted to approximately RMB130.14 million (2013: RMB123.70 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 RMB4.23 million (2013: RMB9.58 million) to the said schemes.

Capital commitments and contingencies

The Group has made capital expenditure commitments mainly for property, plant and equipment of approximately RMB0.74 million (2013: RMB0.98 million) which are contracted but not provided in the financial statements. The Group had no material contingent liabilities as at 31 December 2014 (2013: Nil).

Charges on the Group's assets

As at 31 December 2014, restricted bank deposits with an amount of approximately RMB134.68 million (2013: RMB60.17 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 RMB15.94 million (2013: RMB5.39 million) to secure general banking facilities granted to them. As at 31 December 2014, the subsidiaries have utilised such secured bank facilities of RMB2.90 million (2013: RMB1.25 million).

Foreign exchange risk

The Group mainly operates in China. During the year ended 31 December 2014, 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

In 2015, the China government will step up efforts in the structural adjustment of the economy and implement proactive fiscal policy and relatively relaxed monetary policy, so as to maintain the steady development of the economy. A year-on-year GDP growth rate of about 7% 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.

It is expected the operating environment in 2015 will still bring enormous challenges. With the current business environment, the Group will continue to strengthen its business foundation under a consistent cautions manner under tough market environment in order to maintain the Group's competitiveness. 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 as well as to maintain sound financial conditions, 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 to be held on 29 May 2015, a final dividend of RMB0.06 (equivalent to approximately HK$0.0758 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 2014, amounting to RMB24.19 million (equivalent to approximately HK$30.56 million) payable to shareholders whose names appear on the register of members of the Company on Wednesday, 10 June 2015. 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, 26 May 2015 to Friday, 29 May 2015, 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 Friday, 22 May 2015.

The register of members will also be closed from Monday, 8 June 2015 to Wednesday, 10 June 2015, 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, 5 June 2015.

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 and the chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve connected transaction or any other transaction that requires independent shareholders' approval. The chairman of the Board was unable to attend the annual general meeting held on 13 June 2014 due to his business trip and Mr. Chiu Rung-Hsien, an executive Director, took the chair of the annual general meeting pursuant to the Articles of Association of the Company. The three independent non-executive directors constituting the independent board committee were unable to attend the extraordinary general meeting held on 6 August 2014 to approve disclosable and continuing connected transaction and provision of financial assistance due to their other business commitment.

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 2014, 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 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 2014.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 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 2014. 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 2014.

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

Hong Kong, 27 March 2015

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.