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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 2015

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 2015 and the Group's consolidated statement of financial position at 31 December 2015, 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 2015

	Notes	**2015** *RMB'000*	2014 *RMB'000*
Revenue	*3*	**990,239**	1,300,119
Cost of revenue	*3*	**(722,314)**	(955,225)
Gross profit		**267,925**	344,894
Other income	*4*	**39,797**	33,520
Distribution and selling expenses		**(122,494)**	(129,480)
Administrative expenses		**(115,895)**	(99,528)
Other operating expenses		**(4,023)**	(4,144)

	Notes	**2015** **RMB'000**	2014 RMB'000
Finance costs	5	**(8,734)**	(9,174)
Share of loss of joint ventures		**(1,387)**	(2,458)
Share of profit (loss) of associates		**101**	(8,559)
Gain on deemed disposal of available-for-sale financial asset		**662**	–
Profit before income tax	6	**55,952**	125,071
Income tax expense	7	**(9,855)**	(23,758)
Profit attributable to equity holders of the Company		**46,097**	101,313
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive loss of an associate		**(4,318)**	–
Currency translation differences		**157**	(3,266)
Total comprehensive income for the year, attributable to equity holders of the Company		**41,936**	98,047
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)	8		
– Basic and diluted earnings per share		**0.11**	0.25
Dividends	9	**24,192**	44,352

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	**2015**	2014
		RMB'000	*RMB'000*
Non-current assets			
Prepaid lease payments-non-current		**35,658**	36,598
Property, plant and equipment		**216,383**	236,867
Intangible assets		**3,251**	1,696
Investments in joint ventures		**16,970**	18,357
Investments in associates		**310,959**	1,207
Available-for-sale financial asset		**–**	8,623
Deferred income tax assets		**6,310**	6,144
		589,531	309,492
Current assets			
Inventories		**250,076**	257,257
Debtors, deposits and prepayments	*10*	**449,745**	513,983
Prepaid lease payments-current		**940**	940
Amount due from an investee		**–**	4,473
Amounts due from customers for contract work		**36,717**	32,494
Amount due from ultimate holding company		**–**	532
Amounts due from fellow subsidiaries and an associate of ultimate holding company		**1,277**	296
Amounts due from joint ventures		**717**	891
Amounts due from associates and subsidiaries of an associate		**60,841**	12,274
Restricted bank deposits		**172,613**	134,681
Term deposits with initial term of over three months		**–**	98,000
Cash and cash equivalents		**101,583**	262,751
		1,074,509	1,318,572

	Note	2015 RMB'000	2014 RMB'000
Current liabilities			
Amounts due to customers for contract work		**15,576**	42,800
Creditors, other payables and accrued charges	*11*	**447,313**	410,211
Amount due to ultimate holding company		**160**	1,716
Amount due to immediate holding company		**1,856**	3,447
Amounts due to a fellow subsidiary and an associate of ultimate holding company		**21,664**	784
Amounts due to an associate and subsidiaries of an associate		**10,389**	1,128
Amounts due to joint ventures		**317**	76
Current income tax liabilities		**7,858**	16,681
Bank borrowings		**408,677**	402,079
Warranty provision		**5,791**	6,329
		919,601	885,251
Net current assets		**154,908**	433,321
Total assets less current liabilities		**744,439**	742,813
Non-current liabilities			
Deferred tax liabilities		**–**	16,118
Net assets		**744,439**	726,695
Capital and Reserves			
Share capital		**4,022**	4,022
Share premium		**82,281**	82,281
Capital reserves		**77,338**	77,338
Other reserves		**48,905**	53,066
Retained earnings		**531,893**	509,988
Total equity		**744,439**	726,695

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL

Good Friend International Holdings Inc. ("the Company") and its subsidiaries 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 is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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")

(a) Application of new and revised HKFRSs:

The following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA') have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contribution
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of above 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 the disclosures set out in these consolidated financial statements.

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

(b) New and revised HKFRSs in issue but not yet effective:

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]

[1] *Effective for annual periods beginning on or after 1 January 2018.*
[2] *Effective for annual periods beginning on or after 1 January 2016.*
[3] *Effective for annual periods beginning on or after a date to be determined.*

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 HKFRS 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 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 12 Income Taxes regarding the recognition of deferred taxes at the time of acquisition and HKAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in HKFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to HKFRS 11 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to HKFRS 10 and HKAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Except as described above, the directors of the Company anticipate that the application of other new and revised HKFRSs in issue but not effective will have no material effect 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 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 distribution and selling expenses, administrative expenses, and 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 2015				
Revenue (all from external sales)	**671,863**	**229,610**	**88,766**	**990,239**
Cost of revenue	**(468,722)**	**(172,511)**	**(81,081)**	**(722,314)**
Segment profit	**203,141**	**57,099**	**7,685**	**267,925**

	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

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

	2015	2014
	RMB'000	*RMB'000*
Sale of scrap materials	**3,865**	7,542
Government subsidies	**5,487**	1,550
Repair income	**8,201**	6,646
Rental income	**3,412**	2,108
Interest income	**14,193**	9,995
Others	**4,639**	5,679
	39,797	33,520

5. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Interest expense:		
– Bank borrowings	**8,734**	9,174

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	2015	2014
	RMB'000	*RMB'000*
Directors and chief executives' remuneration	**2,128**	2,054
Other staff costs	**102,983**	90,571
Other staff's retirement benefits scheme contributions	**4,915**	4,232
Total staff costs	**110,026**	96,857
Auditor's remuneration	**1,408**	1,410
Cost of inventories recognised as an expense	**627,647**	868,176
Depreciation of property, plant and equipment	**23,385**	20,835
Amortisation of other intangible assets	**759**	415
Allowance for inventories, net	**7,791**	7,009
Provision for warranty	**5,121**	6,766
Direct operating expenses incurred for rental income	**1,947**	1,938
Loss on disposal of property, plant and equipment	**201**	296
Net exchange loss	**19,196**	2,849
Research and development costs recognised as an expense*	**32,382**	36,691

* Depreciation of property, plant and equipment, amortisation of other intangible assets and employee benefits expense amounting to RMB1,183,000, RMB224,000 and RMB13,722,000 were included in research and development expenses (2014: RMB1,898,000, RMB286,000 and RMB11,232,000 respectively).

7. INCOME TAX EXPENSE

	2015	2014
	RMB'000	*RMB'000*
Current tax		
– Current year	**16,301**	25,382
– Overprovision in prior years	**(6,280)**	–
	10,021	25,382
Deferred tax credit	**(166)**	(1,624)
	9,855	23,758

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 2014, 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 2015 is 15% (2014: 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 RMB46,097,000 (2014: RMB101,313,000) by the number of ordinary shares in issue during the year of 403,200,000 (2014: 403,200,000).

	2015	2014
Basic and diluted earnings per share *(RMB per share)*	**0.11**	0.25

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

9. DIVIDENDS

	2015	2014
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2015 interim – Nil (2014: 2014 interim dividend RMB0.06) per ordinary share	**–**	24,192
2014 final – RMB0.06 (2014: 2013 final dividend RMB0.05) per ordinary share	**24,192**	20,160
	24,192	44,352

At a meeting of the board of directors held on 31 March 2016, the directors resolved to recommend a final dividend of RMB0.03 (2014: RMB0.06) per ordinary share for the year ended 31 December 2015. The proposed final dividend was not recognised as dividend payable in the consolidated financial statements for the year ended 31 December 2015.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	2015	2014
	RMB'000	*RMB'000*
Trade debtors and bills receivables	**444,978**	500,438
Less: provision for impairment of trade receivables	**(36,512)**	(36,544)
Trade receivables – net	**408,466**	463,894
Prepayments	**16,033**	25,667
Others	**25,246**	24,422
Total debtors, deposits and prepayments	**449,745**	513,983

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.

10. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

At 31 December 2015 and 2014, the ageing analysis of gross trade debtors and bills receivable based on due date was as follows:

	2015	2014
	RMB'000	*RMB'000*
Current – 30 days	**341,202**	383,483
31 – 60 days	**8,465**	5,141
61 – 90 days	**9,079**	11,542
91 – 180 days	**14,038**	20,366
Over 180 days	**72,194**	79,906
Trade receivables	**444,978**	500,438

11. CREDITORS, OTHER PAYABLES AND ACCRUED CHARGES

	2015	2014
	RMB'000	*RMB'000*
Trade creditors	**177,863**	204,785
Advance deposits from customers	**184,316**	118,682
Other payables	**40,782**	41,847
Accrued expenses	**44,352**	44,897
Total creditors, other payables and accrued charges	**447,313**	410,211

The Group normally receives credit terms of 30 to 60 days. At 31 December 2015 and 2014, the ageing analysis of the trade payables was as follows:

	2015	2014
	RMB'000	*RMB'000*
Current – 30 days	**119,353**	116,788
31 – 60 days	**34,725**	57,515
61 – 90 days	**3,979**	4,657
91 –180 days	**4,921**	9,853
Over 180 days	**14,885**	15,972
	177,863	204,785

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The downward pressure on China's economy increased in 2015. According to the economic data released by the National Bureau of Statistics of China, China's gross domestic product ("GDP") growth slowed down to 6.8% in the fourth quarter of 2015. The GDP for the whole year of 2015 grew by 6.9%, which was the lowest growth rate since 1990. The mainstream product of the Group CNC machine tools focus mainly on the China market, sales orders of CNC machine tools business were also affected by that. For the year ended 31 December 2015, sales volume and sales revenue of CNC machine tools amounted to 1,587 units and approximately RMB671.86 million respectively, both representing a decrease when compared to 2014. Nevertheless, the gross profit margin of CNC machine tools business maintained at approximately 30.2% during the year. This was attributable to the stable raw material prices during the year.

During the year, the Group continued to offer high-end CNC machine tools products to the customers. These high-end products could optimise the product portfolio of the Group, and strengthen its core competitiveness. Moreover, the Group has incorporated a wholly-owned entity at the China (Shanghai) Pilot Free Trade Zone. The activities of this Shanghai entity is mainly to exploring and selling the high-end machine tools brands (including "Huller Hille") of FFG Werke GmbH ("FFG Werke", an entity incorporated in Germany) to customers in China.

In August 2015, the Group entered into a sale and purchase agreement for the acquisition of an aggregate of 25.5% equity interest in FFG Werke from the other shareholders, with the aggregate consideration amounted to Euro 2.34 million. The Group currently holds 39.0% equity interest in FFG Werke after completion of this transaction. The management are confident of the business development prospects of FFG Werke. It is believed that the increase of equity interest in FFG Werke would be beneficial to the future business development and results of the Group.

In November 2015, the Group entered into a contribution agreement with the other JV partners to establish FFG European Holding GmbH ("FFG European", an entity incorporated in Germany) and to inject capital in the total amount of Euro 110 million. The Group holds 45.0% interests in FFG European with the relevant capital injection amount being Euro 49.5 million. FFG European has also successfully acquired 100% shareholding interests in MAG Group (including MAG IAS GmbH and MAG Automotive LLC) by the end of 2015. MAG Group is a well-established machine tools manufacturer in operation for more than 10 years, owning leading brands in high-end machine tools favoured by renowned automobile manufacturers, with market presence in Europe, worldwide recognition and 5 production sites in Europe and the United States with more than a thousand employees. The acquisition of MAG Group by FFG European would have positive effect on the Group's product portfolio, allowing it with access to a richer and further diversifying range of products and enhance its investment portfolio overseas.

Financial Review

Revenue

For the year ended 31 December 2015, the Group recorded revenue of approximately RMB990.24 million, representing a decrease of approximately 23.8% as compared to 2014. During the year, sales volume of CNC machine tools, parking garage structures and forklift trucks amounted to 1,587 units, 15,368 units and 1,492 units respectively (2014 comparative figures: 2,102 units, 13,215 units and 1,997 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 RMB671.86 million, representing a decrease of approximately 30.4% as compared to 2014. Revenue of CNC machine tools accounted for approximately 67.8% of the Group's total revenue. On the other hand, sales revenue of forklift trucks amounted to approximately RMB88.77 million during the year, representing a decrease of approximately 31.5% as compared to 2014 and accounted for approximately 9.0% of the total revenue. Moreover, sales revenue of the Group's parking garage structures business during the year was increased by approximately 11.6%, as compared to 2014, to approximately RMB229.61 million and approximately 23.2% of the Group's total revenue.

Gross profit and margin

For the year ended 31 December 2015, gross profit of the Group amounted to approximately RMB267.93 million. Overall gross profit margin was approximately 27.1%, compared to 26.5% for 2014. The gross profit margin of CNC machine tools (the Group's major product) during the year remained at 30.2%. As a result, the overall gross profit margin for the year remained fairly stable as compared to 2014.

Distribution and selling expenses

Distribution and selling expenses amounted to approximately RMB122.49 million for the year ended 31 December 2015 representing a decrease of 5.4% 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 12.4%, compared to approximately 10.0% for 2014.

Administrative expenses

Administrative expenses for the year ended 31 December 2015 increased by approximately 16.4% as compared to 2014. This was mainly attributable to the increase of the exchange loss and the increase of the relevant administrative expenses arising from the incorporation of the new entity at the Shanghai Pilot Free Trade Zone.

Finance costs

During the year, finance costs decreased to approximately RMB8.73 million. The decrease was primarily due to the decrease of average bank borrowings of the Group during 2015.

Share of profit of associates

For the year ended 31 December 2015, share of profit of associates amounted to approximately RMB0.10 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 2015, profit attributable to the equity holders of the Company amounted to approximately RMB46.1 million, representing a decrease of approximately 54.5% as compared to 2014.

Liquidity and financial resources

As at 31 December 2015, the Group had net current assets of approximately RMB154.91 million (2014: RMB433.32 million), shareholders' fund of approximately RMB744.44 million (2014: RMB726.70 million) and short-term bank borrowings of approximately RMB408.68 million (2014: RMB402.08 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 2015 amounted to approximately RMB101.58 million (2014: RMB262.75 million). The current ratio (ratio of total current assets to total current liabilities) of the Group was approximately 1.2 times (2014: 1.5 times). The gearing ratio (ratio of total debts to total assets) was approximately 24.6% (2014: 24.7%), 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 2015 was HK$4,032,000 divided into 403,200,000 shares of HK$0.01 each (at 31 December 2014: 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 2015, the total outstanding short-term borrowings stood at approximately RMB408.68 million (2014: RMB402.08 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 2015, the Group employed a total of 1,320 (2014: 1,450) full-time employees in Hong Kong and China. The total staff costs (including Directors' fee and emoluments) amounted to approximately RMB142.99 million (2014: RMB130.14 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 under review, the Group contributed approximately RMB4.92 million (2014: RMB4.23 million) to the said schemes.

Capital commitments and contingencies

The Group has made capital expenditure commitments mainly for property, plant and equipment of approximately RMB0.63 million (2014: RMB0.74 million) which are contracted but not provided in the financial statements and for capital contribution to an associate of approximately RMB67.40 million (2014: Nil). The Group had no material contingent liabilities as at 31 December 2015 (2014: Nil).

Charges on the Group's assets

As at 31 December 2015, restricted bank deposits with an amount of approximately RMB172.61 million (2014: RMB134.68 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 RMB15.26 million (2014: RMB15.94 million) to secure general banking facilities granted to them. As at 31 December 2015, the subsidiaries have not utilised such secured bank facilities (2014: RMB2.90 million).

Foreign exchange risk

The Group mainly operates in China. During the year ended 31 December 2015, 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. Foreign exchange risks arising from fluctuation of exchange rates of foreign currencies are managed by the Group using foreign exchange forward contracts when necessary.

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.

COMPARATIVE FINANCIAL INFORMATION

Certain financial information for the year ended 31 December 2014 are reclassified in order to conform with the current year presentation.

PROSPECTS

China's economy continued to sail on against the wind. Heading into 2016, which marks the first year of its "13th Five-Year" Planning, China's economy will still face challenges. However, 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, with the current complex economic environment, the Group will continue to strengthen its business foundation under a consistent cautions 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 RMB0.03 (equivalent to approximately HK$0.0360 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 ordinary share for the year ended 31 December 2015, amounting to RMB12.10 million (equivalent to approximately HK$14.52 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. It is expected that the proposed final dividend, if approval, will be payable around end of June 2016.

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 29 May 2015 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.

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 2015, 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 2015.

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 comprehensive income and the related notes thereto for the year ended December 31, 2015 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 Hong Kong Institute of Certified Public Accountants 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 2015.

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

Hong Kong, 31 March 2016

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.