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 2007

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Good Friend International Holdings Inc. (the "Company") is pleased to present the audited consolidated income statement of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007 and the Group's audited consolidated balance sheet at 31 December 2007, together with the relevant comparative figures for the previous year.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Revenue	4	**821,367**	611,003
Cost of sales and construction contract costs		**(607,016)**	(457,845)
Gross profit		**214,351**	153,158
Other income	5	**8,571**	8,948
Distribution and selling costs		**(83,465)**	(68,962)
Administrative expenses		**(39,335)**	(29,654)
Other expenses		**(1,358)**	(3,663)
Finance costs	6	**(2,810)**	(2,457)
Profit before taxation	7	**95,954**	57,370
Taxation	8	**(11,069)**	(4,288)
Profit for the year attributable to equity holders of the Company		**84,885**	53,082
Dividend	9	**34,160**	14,000
Earnings per share – basic, in RMB	10	**0.25**	0.16

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment		**122,040**	99,961
Prepaid lease payments		**43,196**	9,855
Deposit for purchase of plant and equipment		**5,228**	15,866
Deposit for acquisition of land use right		**–**	14,073
Intangible assets		**2,506**	2,313
Long term prepayments		**245**	419
Deferred tax assets		**3,849**	2,590
		177,064	145,077
Current assets			
Inventories		**131,414**	109,287
Debtors, deposits and prepayments	*11*	**220,950**	146,688
Prepaid lease payments		**943**	232
Amounts due from customers for contract work		**18,929**	18,550
Tax recoverable		**4,205**	–
Pledged bank deposits		**2,436**	2,753
Bank deposits with maturity period more than three months		**–**	4,983
Bank balances and cash		**52,010**	69,218
		430,887	351,711
Current liabilities			
Creditors and accrued charges	*12*	**186,061**	142,169
Amounts due to customers for contract work		**5,273**	5,698
Tax payable		**–**	1,110
Warranty provision		**4,379**	4,449
Bank borrowings		**64,661**	46,510
		260,374	199,936
Net current assets		**170,513**	151,775
		347,577	296,852
Capital and reserves			
Share capital		**3,431**	2,882
Reserves		**344,146**	293,970
		347,577	296,852

Notes:

1. GENERAL

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

The Company is an investment holding company.

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

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

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
Hong Kong (International Financial Reporting Interpretations Committee) – Interpretations ("HK(IFRIC) – Int") 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

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

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC) – Int 12	Service Concession Arranagements[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 March 2007
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2008

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

4. SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold and services provided to outside customers, less returns and allowances, and net of value-added tax during the year.

Business segments

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

Segment information about these businesses is presented below.

For the year ended 31 December 2007

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

As at 31 December 2007

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

	Machine tools *RMB'000*	Parking garage structures *RMB'000*	Forklift trucks *RMB'000*	Corporate *RMB'000*	Total *RMB'000*
Other information					
Capital expenditure	**21,623**	**2,298**	**9,419**	**2,452**	**35,792**
Depreciation and amortisation	**8,203**	**1,190**	**1,306**	**3,385**	**14,084**
Allowance for bad and doubtful debts, net	**6,254**	**2,059**	**215**	**–**	**8,528**
Provision (reversal of provision) for warranty	**2,207**	**1,945**	**(369)**	**–**	**3,783**

For the year ended 31 December 2006

	Machine tools *RMB'000*	Parking garage structures *RMB'000*	Forklift trucks *RMB'000*	Total *RMB'000*
Revenue – external sales	467,346	–	58,308	525,654
– external contract revenue	–	85,349	–	85,349
	467,346	85,349	58,308	611,003
Segment results	80,938	4,468	650	86,056
Unallocated corporate income				6,563
Unallocated corporate expenses				(32,792)
Finance costs				(2,457)
Profit before taxation				57,370
Taxation				(4,288)
Profit for the year attributable to equity holders of the Company				53,082

As at 31 December 2006

	Machine tools *RMB'000*	Parking garage structures *RMB'000*	Forklift trucks *RMB'000*	Total *RMB'000*
Balance sheet				
Assets				
Segment assets	266,536	76,632	75,417	418,585
Unallocated corporate assets				78,203
Consolidated total assets				496,788
Liabilities				
Segment liabilities	81,995	29,283	20,706	131,984
Unallocated corporate liabilities				67,952
Consolidated total liabilities				199,936

	Machine tools *RMB'000*	Parking garage structures *RMB'000*	Forklift trucks *RMB'000*	Corporate *RMB'000*	Total *RMB'000*
Other information					
Capital expenditure	3,647	244	13,470	3,580	20,941
Depreciation and amortisation	7,151	967	498	2,210	10,826
Allowance for bad and doubtful debts, net	4,743	653	1,952	–	7,348
Provision for warranty	1,319	2,457	863	–	4,639

Geographical segments

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

5. OTHER INCOME

	2007 *RMB'000*	2006 *RMB'000*
Sales of materials	**3,720**	1,814
Government subsidies	**1,520**	4,489
Bank interest income	**1,251**	1,754
Repair income	**570**	438
Net exchange gain	**411**	–
Others	**1,099**	439
Gain on disposal of property, plant and equipment	**–**	14
	8,571	8,948

6. FINANCE COSTS

The amounts represent interest on bank borrowings wholly repayable within five years.

7. PROFIT BEFORE TAXATION

	2007	2006
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration	**1,181**	1,172
Other staff costs	**65,531**	47,459
Retirement benefit scheme contributions	**3,815**	2,014
Total staff costs	**70,527**	50,645
Allowance for bad and doubtful debts, net	**8,528**	7,348
Amortisation of intangible asset included in administrative expenses	**769**	580
Amortisation of prepaid lease payments	**808**	232
Depreciation of property, plant and equipment	**12,507**	10,014
Total depreciation and amortisation	**14,084**	10,826
Auditor's remuneration	**1,671**	1,603
Cost of inventories recognised as expenses	**503,101**	389,728
Contract costs recognised as expenses	**104,145**	68,133
Loss on disposal of property, plant and equipment	**131**	–
Net exchange loss	**–**	289
Operating lease rentals in respect of rented premises	**3,371**	2,677
Research expenses included in administrative expenses	**181**	642
Reversal of allowance for inventories	**(230)**	(16)

8. TAXATION

	2007	2006
	RMB'000	*RMB'000*
PRC enterprise income tax		
Current tax	**12,873**	6,371
Overprovision in respect of prior year	**(545)**	(429)
	12,328	5,942
Deferred tax	**(1,259)**	(1,654)
	11,069	4,288

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

Hangzhou Good Friend Precision Machinery Co., Ltd. ("Hangzhou Good Friend") was recognised as a technologically advanced enterprise. Pursuant to the approvals obtained from the relevant PRC tax authorities, Hangzhou Good Friend is entitled to a preferential income tax rate of 16.5% comprising national income tax rate of 15% and local income tax of 1.5%. Hangzhou Good Friend is also entitled to a tax concession period in which it is fully exempted from national and local income tax for two years commencing from its first profit-making year, followed by a 50% reduction in the national and local income tax for the next three years. The exemption period expired in 2006.

In 2006, pursuant to certain policies issued by the State Tax Bureau, it is entitled to a three-year extension of tax concession period over which it is subject to a minimum tax rate of 10% for the PRC national income tax for the three years period commencing from 2007. In addition, Hangzhou Good Friend is also entitled to a 50% reduction in the local income tax with expiry date not specified, representing 0.75% of local income tax rate. Accordingly, the applicable tax rate for Hangzhou Good Friend is 10.75% (2006: 8.25%) for the year.

On 16 March 2007, the PRC promulgated the new PRC Enterprise Income Tax Law (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the applicable tax rate for Hangzhou Good Friend from the preferential rate at 15% to 18%, 20%, 22%, 24% and 25% for the years ending 31 December 2008, 2009, 2010, 2011 and 2012 respectively. There was no significant effect on deferred taxation for such change in tax rates.

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

9. DIVIDEND

Dividend recognised as distribution during the year:

	2007	2006
	RMB'000	*RMB'000*
Interim – RMB6 cents per share (2006: RMB5 cents per share)	**20,160**	14,000
Final – RMB5 cents per share (2006: Nil)	**14,000**	–
	34,160	14,000

The final dividend of RMB6 cents (2006: RMB5 cents) per share has been proposed by the directors for the year ended 31 December 2007 and is subject to the approval by the shareholders at the annual general meeting.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to equity holders of the Company of RMB84,885,000 (2006: RMB53,082,000) and the weighted average number of 336,000,000 (2006: 334,082,192) ordinary shares in issue after adjustment for the effects of the 56,000,000 bonus shares issued on 28 May 2007.

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

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	2007	2006
	RMB'000	*RMB'000*
Trade debtors	**190,203**	128,193
Less: Allowance for bad and doubtful debts	**(19,063)**	(11,034)
	171,140	117,159
Advance deposits to suppliers	**26,785**	17,064
Other debtors	**6,666**	5,803
Deposits and prepayments	**16,359**	6,662
Total debtors, deposits and prepayments	**220,950**	146,688

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

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

	2007	2006
	RMB'000	*RMB'000*
0 – 30 days	**148,795**	84,933
31 – 60 days	**5,535**	3,204
61 – 90 days	**2,742**	5,683
91 – 180 days	**6,760**	11,339
Over 180 days	**7,308**	12,000
	171,140	117,159

12. CREDITORS AND ACCRUED CHARGES

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

	2007	2006
	RMB'000	*RMB'000*
1 – 30 days	**46,999**	31,737
31 – 60 days	**30,747**	18,455
61 – 90 days	**4,764**	400
91 – 180 days	**2,733**	234
Over 180 days	**3,429**	2,203
Trade creditors	**88,672**	53,029
Advance deposits from customers	**55,075**	56,337
Other creditors	**28,642**	20,094
Accrued charges	**13,672**	12,709
	186,061	142,169

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

MANAGEMENT DISSCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded satisfactory growth in both sales and net profit for the year. For the year ended 31 December 2007, sales volume of all the three business segments of the Group, namely CNC machine tools, parking garage structures and forklift trucks achieved remarkable growth as compared to previous year. Annual sales volume amounted to 1,491 units, 6,997 units and 1,537 units respectively. The Group's production plant in Xiasha (owned by Hangzhou Global Friend Precision Machinery Co., Ltd., "Hangzhou Global Friend") commenced production of forklift trucks in early 2007, whereas the plant in Xiaoshan focused on production of CNC machine tools and parking garage structures. This new arrangement enhanced the Group's manufacturing capacity and production efficiency. Coupled with the booming development of China's manufacturing industry, the Group's CNC machine tools, parking garage structures and forklift trucks business therefore all recorded growth in their sales volume for the year. During the year, the Group had also launched new models of electric forklift trucks and further increased the overseas sales of the forklift trucks. As a result, the forklift trucks attained a higher growth rate for the year. Moreover, the Group had successfully implemented effective cost control policy during the year to improve the gross profit margin. In respect of the sales network, the number of the Group's liaison offices in China has increased from 26 in 2006 to 29 this year, covering various major cities in China. The Group has 380 professional sales staff which are able to maintain close relationship with the customers for providing comprehensive pre-sales and after-sales services to those customers. Apart from that, the Group has also strengthen the cooperation with the overseas agents for expanding the sales network and actively exploring more overseas markets.

FINANCIAL REVIEW

For the year ended 31 December 2007, the financial performance of the Group maintained its growing trend. The Group's revenue and profit attributable to equity holders of the Company for the year amounted to approximately RMB821.37 million (2006: RMB611.00 million) and approximately RMB84.89 (2006: RMB53.08 million) respectively, representing an increase of approximately 34.4% and approximately 59.9% respectively as compared with that in 2006.

Revenue

During the year, CNC machine tools remained the major source of the Group's revenue. The number of CNC machine tools sold increased from 1,151 units in 2006 to 1,491 units this year. Sales of the product rose from approximately RMB467.35 million in 2006 to approximately RMB607.76 million this year, an increase of approximately 30% and represented approximately 74% of the Group's total revenue. The major customers of the CNC machine tools business are automobile and mechanical manufacturers. The continued booming development of China's manufacturing sector created increasing demand from customers for high-grade CNC machine tools. Moreover, the automobile market in China has been developing rapidly. The automobile manufacturers have to increase their production output in order to cope with the intense competition in the market, which therefore bring about increasing orders for CNC machine tools. As a result, the Group achieved a remarkable growth in sales of CNC machine tools. On the other hand, raw material costs became fairly stable in 2007. The Group was also able to lower the costs through sourcing of raw materials from local suppliers. During the year, the operating gross profit margin for CNC machine tools increased to approximately 31.5%.

Sales and sales volume of parking garage structures for the year were approximately RMB113.64 and 6,997 units respectively, representing an increase of approximately 33.1% and 44.9% respectively from that in 2006 and remained at approximately 13.8% of the Group's total revenue. For forklift trucks, sales volume increased substantially from 957 units in last year to 1,537 units. Sales of the product also increased from approximately RMB58.31 million in 2006 to approximately RMB99.97 million for the year, representing a significant growth of approximately 71.4%. During the year, the Group had introduced new models of electric forklift trucks and successfully increased the market share of the forklift trucks in the overseas market. As a result, the forklift trucks business achieved remarkable growth during the year. Compared with last year, revenue generated from the forklift trucks business increased to approximately 12.2% of the Group's total revenue. The operating gross profit margin for forklift trucks during the year was approximately 13.3%.

Cost of sales and gross profit

For the year ended 31 December 2007, the cost of sales of the Group increased to approximately RMB607.01 million (2006: RMB457.85 million) whilst the Group's gross profit increased from approximately RMB153.16 million in 2006 to approximately RMB214.35 million for the year. Overall gross profit margin of the Group was approximately 26.1% (2006: 25.1%). The increase of the gross profit margin was due to the increase of the gross profit margin of the Group's major products, CNC machine tools, during the year when compared with last year.

Operating expenses

Distribution and selling costs increased by approximately 21.0% from approximately RMB68.96 million in 2006 to approximately RMB83.47 for the year. Such increase was mainly due to the increase of the Group's liaison offices in China and the increase of the relevant sales activities of CNC machine tools products. Distribution and selling costs as a percentage of the Group's revenue was approximately 10.2% for the year (2006: 11.3%). On the other hand, administrative expenses increased by approximately 32.6% from approximately RMB29.65 million in 2006 to approximately RMB39.34 for the year. The increase was due to the upward revision of the staff costs and increase in the allowance for bad and doubtful debts. In addition, the Group's production plant in Xiasha (owned by Hangzhou Global Friend) commenced production in early 2007 also caused the increase of the relevant fixed overhead costs. Administrative expenses as a percentage of the Group's revenue was approximately 4.8% for the year (2006: 4.9%).

Other expenses decreased to approximately RMB1.36 million for the year from approximately RMB3.66 million in 2006, which was mainly due to the one-off listing expenses of approximately RMB2.95 million being included in last year amount. On the other hand, finance costs increased by approximately 14.4% to approximately RMB2.81 million (2006: RMB2.46 million) which was mainly due to the increase of the Group's average bank borrowings during the year.

Profit attributable to equity holders

The Group's profit attributable to equity holders for the year ended 31 December 2007 was approximately RMB84.89 million, an increase of approximately RMB31.80 million or approximately 59.9% over the previous year. Net profit margin attributable to equity holders increased from approximately 8.7% in 2006 to approximately 10.3% for the year.

Liquidity and financial resources

As at 31 December 2007, the Group had net current assets of approximately RMB170.51 million (2006: 151.78 million), shareholders' fund of approximately RMB347.58 million (2006: 296.85 million) and short-term bank borrowings of approximately RMB64.66 million (2006: RMB46.51 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 2007 amounted to approximately RMB52.01 million (2006: RMB74.2 million). The current ratio (a ratio of total current assets to total current liabilities) of the Group was approximately 1.7 times (2006: 1.8 times). The gearing ratio (a ratio of total debts to total assets) was approximately 10.6% (2006: 9.4%), indicating that the Group continued to maintain good financial position.

Capital structure and treasury policies

The share capital of the Company as at 31 December 2007 increased to HK$3,360,000 divided into 336,000,000 shares of HK$0.01 each (at 31 December 2006: HK$2,800,000 divided into 280,000,000 shares of HK$0.01 each). Bonus shares in the proportion of one bonus share for every five shares were issued on 28 May 2007. The bonus shares ranked pari passu in all respects to the existing issued shares.

The Group generally finances its operations with internally generated cash flows and loans facilities provided by banks in the PRC. As of 31 December 2007, the total outstanding short-term borrowings stood at approximately RMB64.66 million (2006: RMB46.51 million). Borrowing methods used by the Group mainly include bank loans. The Group has fixed-rate borrowings and the contractual maturity dates are within one year. The Group had no interest rate hedging arrangement during the year. The Directors believe that the Group has sufficient financial resources to discharge its debts and to finance its operations and capital expenditures.

Significant investment

The Group had no significant investment held for the year ended 31 December 2007.

Material acquisitions and disposals of subsidiaries

The Group did not have any material acquisition or disposal of subsidiaries or associates during the year ended 31 December 2007.

Segmental information

Details of segmental information for the year ended 31 December 2007 are set out in note 4 to the consolidated financial statements.

Staff and remuneration policies

At 31 December 2007, the Group employed a total of 1,270 (2006: 1,051) full-time employees in Hong Kong and the PRC. The total staff costs (including Directors' fee and emoluments) amounted to approximately RMB70.53 million (2006: RMB50.65 million). The promotion and salary review policies of the Group are determined with reference to the market trends, future plans and the performance of individuals in various regions and are reviewed periodically.

The Company also holds a share option scheme, for the purpose of providing incentive and rewards to eligible participants for their contributions to the Group.

The employees of the Company's subsidiaries join a state-managed social welfare scheme operated by the local government of the PRC and the employees in Hong Kong participate in the Mandatory Provident Fund Scheme. During the year under review, the Group contributed approximately RMB3.82 million (2006: RMB2.01 million) to the said schemes.

Capital commitments and contingencies

The Group has made capital expenditure commitments mainly for property, plant and equipment of approximately RMB22.93 million (2006: 4.21 million) which are contracted but not provided in the financial statements. The Group had no material contingent liabilities as at 31 December 2007. (2006: Nil).

Charges on the Group's assets

As at 31 December 2007, pledged bank deposits with an amount of approximately RMB2.44 million (2006: 2.75 million) represented guarantee deposit in banks for the purpose of bidding contracts.

Future plans for material investments or capital assets

The Group has commenced the first phase construction work of the production base of Hangzhou Ever Friend Precision Machinery Co., Ltd. ("Hangzhou Ever Friend"), previously known as Hangzhou Every Friend Precision Machinery Co., Ltd. at the end of 2007 and is expected to be completed in the second half of 2008. The production plant will be utilized for the production of CNC machine tools and the construction cost is estimated to be approximately RMB32.5 million which will be financed by internal resources and banking facilities. Furthermore, the Group acquired a land use right in the Hangzhou Jiangdong Industrial Park, Zhejiang province during the year with a consideration of approximately RMB19.2 million. The total floor area is about 67,000 sq.m. with the production plant being owned by Hangzhou Glory Friend Machinery Technology Co., Ltd., ("Hangzhou Glory Friend"). The construction of such production plant is expected to commence in the second half of 2008.

Foreign exchange risk

The Group mainly operates in the PRC. During the year ended 31 December 2007, 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 the impact to the Group is insignificant.

Renminbi currently is not a freely convertible currency. A portion of the Group's Renminbi revenue or profit must be converted into other currencies to meet foreign currency obligations of the Group such as the payment of dividends, if declared.

PROSPECTS

The Group believes that the implementation by China of Eleventh Five-Year Plan will enable the continued increase in the demand of machine tools in the PRC market, especially high-end CNC machine tools. China is the largest machine tools consumption country. In order to meet the great demand from the PRC market, the Group will continue to expand its production capacity and enhance its research and development capabilities for producing higher quality and high-end CNC machine tools, such as horizontal machining center and double column machining center. Moreover, the Group's production base in Xiasha, Zhejiang province (owned by Hangzhou Ever Friend) has commenced the first phase construction work at the end of 2007 and is expected to be completed in the second half of 2008. On the other hand, the Group acquired a land use right in the Hangzhou Jiangdong Industrial Park, Zhejiang province during the year. The total floor area is about 67,000 sq.m. with a cost of approximately RMB19.2 million. The production plant is owned by Hangzhou Glory Friend. The relevant construction work is expected to start in the second half of 2008. These two new production plants will be utilized for the production of CNC machine tools as well as parts and components of machine tools, and will therefore further enhance the production capacity of the Group.

In the long run, the Group will continue to participate worldwide and local leading machine tools fairs to expand its market share in an active manner, including the overseas market. Moreover, the Group will endeavor to strengthen the cooperation with those overseas agents in order to expand its sales network and explore more overseas markets. The Board believes that with its extensive sales network, advanced technology and know-how, as well as advanced manufacturing facilities, the Group is capable of meeting customers' different needs. The Group is committed to becoming an international CNC machine tools manufacturer to bringing favorable returns to the shareholders of the Company.

Last but not least, I, on behalf of the Board, would like to thank the Company's shareholders, the Group's customers and suppliers for their continued support. I would also like to thank all the management and staff for their efforts and contributions to the Group over the last year.

FINAL DIVIDEND

The Directors proposed a final dividend of RMB0.06 (equivalent to approximately HK$0.067) per ordinary share for the year ended 31 December 2007, amounting to RMB20.16 million (equivalent to approximately HK$22.51 million). The dividend warrants will be despatched on Tuesday, 8 July 2008 to those shareholders whose names appear on the register of members of the Company at the close of business on Monday, 23 June 2008, subject to the approval of the shareholders at the forthcoming annual general meeting (the "2008 AGM").

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to receive the final dividend and attend and vote at the 2008 AGM, the register of members of the Company will be closed from Wednesday, 18 June 2008 to Monday, 23 June 2008, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 17 June 2008.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted its own code of corporate governance practices which meets the code provisions in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules. During the year under review, the Company had been in compliance with the code provisions set out in the CG Code.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company established an audit committee (the "Audit Committee") on 22 December 2005 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors, Mr. Koo Fook Sun, Louis (as Chairman), Mr. Chiang Chun-Te and Mr. Yu Yu-Tang. The Audit Committee has reviewed with the management the audited consolidated financial statements of the Group for the year ended 31 December 2007.

AUDITORS

The financial statements for the year ended 31 December 2007 have been audited by the Group's auditors, Messrs. Deloitte Touche Tohmatsu (who shall retire and, being eligible, offer themselves for re-appointment at the 2008 AGM).

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This preliminary results announcement will be posted on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.goodfriend.hk). The annual report for the financial year will be despatched to the shareholders and available on the same website in due course.

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

Hong Kong, 17 April 2008

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