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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)

CONNECTED TRANSACTIONS

**FORMATION OF JOINT VENTURE AND
PROVISION OF FINANCIAL ASSISTANCE**

On 17 October 2013, FFG Werke was incorporated in Germany. The initial amount of capital contributed by the shareholders of FFG Werke was held as to 10.00% by FFG Europe, 33.75% by World Ten, 33.75% by Golden Friendship, 13.50% by Sky Thrive (a wholly-owned subsidiary of the Company) and 9.00% by Golden Wealth. On 20 December 2013, Sky Thrive agreed to provide the Further Contribution to FFG Werke as the funds for its acquisition of the IE Business of MAG, as well as for its future operations.

As Golden Friendship, FFG Europe and FFG Werke are associates of Taiwan FF, a controlling shareholder of the Company, and are accordingly connected persons of the Company, the JV Formation together with the Further Contribution constitute connected transactions of the Company under the Listing Rules. As the applicable percentage ratios in respect of the capital and financial contribution of Sky Thrive in FFG Werke are more than 0.1% but less than 5%, such connected transactions are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

JV FORMATION – FFG WERKE

On 17 October 2013, FFG Werke was incorporated in Germany with the initial capital of Euro 30,000, divided into 30,000 ordinary shares in the issued capital of FFG Werke, which were contributed by its shareholders in the respective percentages as follows: -

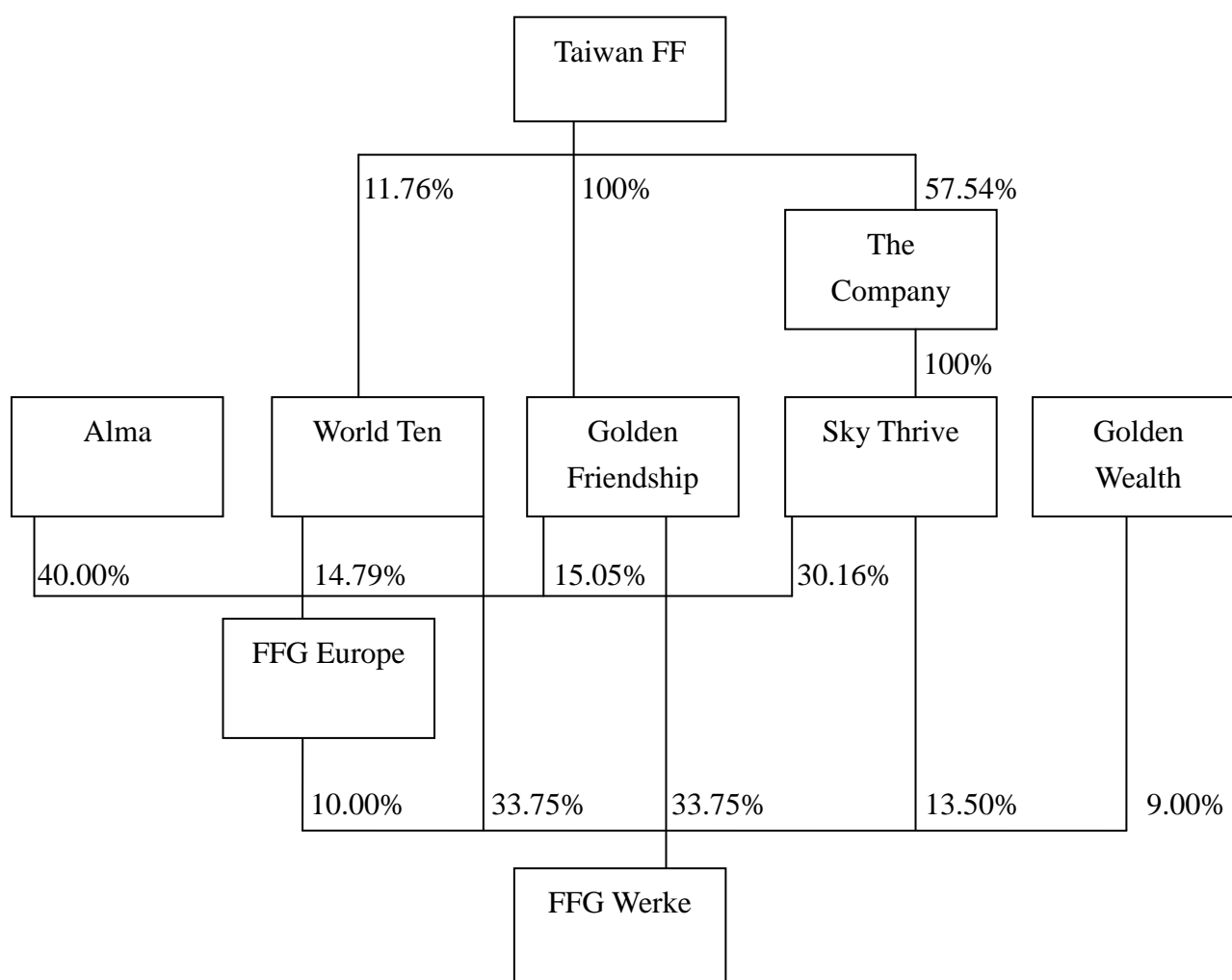
Parties and shareholding percentages:

- (i) 10.00% by FFG Europe (an associate of Taiwan FF);
- (ii) 33.75% by World Ten;
- (iii) 33.75% by Golden Friendship (an associate of Taiwan FF);
- (iv) 13.50% by Sky Thrive (a wholly-owned subsidiary of the Company); and
- (v) 9.00% by Golden Wealth.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, World Ten (save for Taiwan FF's 11.76% interest therein), Golden Wealth and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Initial contribution by Sky Thrive: The initial contribution of Euro 4,050 by Sky Thrive was paid and determined with reference to the total amount of initial capital of FFG Werke.

The relevant shareholding structure of FFG Werke as at the date of this announcement was as follows: -



FURTHER CONTRIBUTION – FURTHER EQUITY CONTRIBUTION, PROVISION OF SHAREHOLDER’S LOAN AND CREDIT INSTRUMENT IN RELATION TO FFG WERKE

On 20 December 2013, Sky Thrive agreed with the other shareholders of FFG Werke to provide the Further Contribution to FFG Werke (an associate of Taiwan FF) in the total amount of Euro 4,517,500, as the funds for its acquisition of the IE Business of MAG, as well as for its future operations, the terms of which are summarised below: -

Further contribution and shareholder's loan to FFG Werke: equity Sky Thrive shall provide on or before 23 December 2013 further equity contribution and shareholder's loan in the total amount of Euro 1,717,500 to FFG Werke, with the shareholder's loan being interest-free and repayable on demand. All equity contribution are to be provided by all shareholders of FFG Werke proportional to their respective shareholding interests in FFG Werke.

Credit instrument in relation to FFG Werke: Sky Thrive shall procure on or before 31 January 2014 the issuance of the Offshore Credit Instrument for a total credit amount of Euro 2,800,000 to secure the corresponding amount of Onshore German Facility to FFG Werke.

All fees and interests charged by the bank(s) for the issuance of the Offshore Credit Instrument and the Onshore German Facility shall be borne by FFG Werke.

The maximum term of the Offshore Credit Instrument(s) shall be twelve months from the respective dates of issuance of the corresponding Offshore Credit Instrument, which shall correspond with the term of the Onshore German Facility, both of which shall be on normal commercial terms.

The Further Contribution amounts were determined based on the funding needs of FFG Werke for its acquisition of the IE Business of MAG, as well as for its future operations. The Further Contribution represents approximately 12.81% of the total amount of Euro 35,263,418.92 of further contribution proposed to be provided by the shareholders of FFG Werke and, except for the further equity contribution by Sky Thrive which shall be proportional to its shareholding interest in FFG Werke, will be less than and not proportional to the percentage shareholding interest of Sky Thrive in FFG Werke.

REASONS FOR AND BENEFITS OF THE JV FORMATION AND THE FURTHER CONTRIBUTION

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

The Company believes that, the acquisition of the IE Business by FFG Werke could benefit the Group by providing access to the renowned brands of the IE Business. The product portfolio of the Group could be further enhanced which would be beneficial to the business development as well as the operating results of the Group. The Directors (including the independent non-executive Directors) consider that the terms of the JV Formation and the Further Contribution are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

The JV Formation and the Further Contribution are being financed by the Group’s internal resources and bank credit line.

LISTING RULES IMPLICATIONS

As Golden Friendship, FFG Europe and FFG Werke are associates of Taiwan FF, a controlling shareholder of the Company, and are accordingly connected persons of the Company, the JV Formation together with the Further Contribution constitute connected transactions of the Company under the Listing Rules. As the applicable percentage ratios in respect of the capital and financial contribution of Sky Thrive in FFG Werke are more than 0.1% but less than 5%, the connected transactions are subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Other than Mr. Chu Chih-Yaung, an executive Director and the Chairman of the Company who is beneficially interested in 24,243,347 shares in Taiwan FF (representing approximately 15.40% of the entire issued capital thereof) had abstained from voting, no Director had a material interest in the JV Formation and the Further Contribution who was required to abstain from voting on the relevant Board resolution.

GENERAL INFORMATION

The Group is principally engaged in the design and production of CNC machine tools, design and construction of three-dimensional car parking garage structures and design and assembling of forklift trucks.

Taiwan FF and its subsidiaries are a conglomerate in Taiwan and have investments in a wide range of businesses such as the production of CNC machine tools, three-dimensional car parking garage structures, electric forklift trucks, construction machinery, power tools, elevators, anode-ray tube display, thin film transistor liquid crystal display, door drums, printed circuit boards, aviation parts, conducting pastes for solar cell, laser equipment for solar cell, LED lighting, magnesium alloy machining, testing equipment for PCB touch-sensing panels and testing equipment for semiconductor LED wafer.

FFG Werke is principally engaged in the development, manufacturing and sale of machine tools and production systems.

FFG Europe is principally engaged in the design, manufacturing and sale of industrial machine tools for metalworking and property investments and consultancy services in relation thereto.

Sky Thrive, Golden Friendship, World Ten and Golden Wealth are each an investment holding company.

DEFINITIONS

Unless the context otherwise requires, the following terms in this announcement shall have the meanings set out below: -

“Alma”	Alma S.r.l., a company incorporated in Italy with limited liability
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Good Friend International Holdings Inc., a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“connected transaction”	has the meaning ascribed thereto under Chapter 14A of the Listing Rules
“Director(s)”	the director(s) of the Company
“Euro”	Euro, the lawful currency of the member states of the European Union
“FFG Europe”	FFG Europe S.p.A., a joint stock company incorporated in Italy with limited liability
“FFG Werke”	FFG Werke GmbH, a limited liability company incorporated in Germany

“Further Contribution”	the provision of further equity contribution, shareholder’s loan and the Offshore Credit Instrument(s) in relation to FFG Werke by Sky Thrive as disclosed above
“Golden Friendship”	Golden Friendship International Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Taiwan FF
“Golden Wealth”	Golden Wealth Inc Limited, a limited liability company incorporated in Hong Kong
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“IE Business”	the Industrial Equipment division of MAG
“JV Formation”	establishment of FFG Werke by its shareholders, including Sky Thrive
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAG”	MAG IAS GmbH, a limited liability company incorporated in Germany.
“Offshore Credit Instrument”	standby letter(s) of credit and/or equivalent form of instrument(s) to be issued or confirmed by non-German bank(s) to secure the Onshore German Facility
“Onshore German Facility”	credit facility(ies) to be provided by German banks to FFG Werke as secured by the Offshore Credit Instrument

“percentage ratios”	has the meaning ascribed thereto under Chapter 14 of the Listing Rules
“Sky Thrive”	Sky Thrive Hong Kong Enterprise Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan FF”	Fair Friend Enterprise Company Limited, a limited liability company incorporated in Taiwan on 15 March 1979, and indirectly interested in 232,000,000 issued ordinary shares of the Company, representing approximately 57.54% of the issued share capital of the Company as at the date hereof
“World Ten”	World Ten Limited, a limited liability company incorporated in Hong Kong, and 11.76% of the issued share capital of which is held by Taiwan FF
“%”	per cent

By order of the Board
Good Friend International Holdings Inc.
Chen Hsiang-Jung
Chief Executive Officer

Hong Kong, 20 December 2013

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.