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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 TRANSACTION

THE GUARANTEE AND PROVISION OF FINANCIAL ASSISTANCE

The Board announces that on 7 December 2012, Sky Thrive (a wholly-owned subsidiary of the Company), Golden Friendship, World Ten and Alma entered into the Guarantee, pursuant to which, among others, Sky Thrive has agreed to provide the Financial Assistance to Jobs for business expansion and working capital purposes.

As both the Company and Taiwan FF, a controlling shareholder and a connected person of the Company, are indirect shareholders of Jobs and Taiwan FF is entitled to exercise, or control the exercise of, approximately 15.05% of the voting power at any general meeting of Jobs, the entering into of the Guarantee and the provision of Financial Assistance by Sky Thrive constitutes a connected transaction under Rule 14A.13(2)(a)(ii) of the Listing Rules. As the relevant applicable percentage ratios are more than 0.1% but less than 5%, such connected transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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The Guarantee

Date: 7 December 2012

Parties: (i) Sky Thrive;

(ii) Golden Friendship (an associate of Taiwan FF);

(iii) World Ten; and

(iv) Alma.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, World Ten (save for Taiwan FF's 8.35% interest therein), Alma and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Financial assistance: Sky Thrive shall procure the issuance of Offshore Credit Instruments for a total credit amount of Euro 3,360,000 to secure the corresponding amount of Italian Facilities to Jobs.

Golden Friendship shall procure the issuance of Offshore Credit Instruments for a total credit amount of Euro 1,640,000 to secure the corresponding amount of Italian Facilities to Jobs.

The last of the Offshore Credit Instruments shall be issued on or before 31 January 2013. All fees and interests charged by the bank(s) for the issuance of the Offshore Credit Instruments, the Italian Facilities or the provision of such financial assistance shall be borne by Jobs.

The maximum term of the Italian Facilities shall be 18 months from the respective dates of issuance of the corresponding Offshore Credit Instruments, subject to such extension or replacement as agreed by the Parties, provided that Alma shall make pro-rata contribution in respect of any such extension or replacement based on its then shareholding in FFG Europe.

Indemnity from Alma: If the bank(s) shall enforce the Offshore Credit Instruments and/or Italian Facilities against Sky Thrive and/or Golden Friendship or forfeit any underlying security deposits paid by Sky Thrive and/or Golden Friendship, Alma shall within 120 days fully indemnify Sky Thrive and/or Golden Friendship, as the case may be, in respect of such liability amount proportionate to Alma's then shareholding in FFG Europe.

If Alma fails to honour such indemnity pursuant to the Guarantee, Sky Thrive and/or Golden Friendship, as the case may be, shall be entitled to obtain at nil consideration such corresponding portion of Alma's shares in FFG Europe in settlement of the amount of undischarged indemnity by Alma under the Guarantee and the value of such Alma's shares shall be determined at their fair market value.

The provision of the Financial Assistance was determined based on the funding needs of Jobs, the share of contribution between Sky Thrive and Golden Friendship and the terms of the Guarantee.

The Group will finance the provision of Financial Assistance with its internal resources.

REASONS FOR AND BENEFITS OF THE GUARANTEE AND THE FINANCIAL ASSISTANCE

The Financial Assistance is to enable Jobs to obtain short-term financing and with the Guarantee by Alma as security. Taking into account that Jobs shall be indirectly held as to approximately 30.16% by the Company and approximately 15.05% by Golden Friendship upon completion of the Contribution Agreement (with reference to which the share of financial assistance under the Guarantee as between Sky Thrive and Golden Friendship was made), the funding needs of Jobs and the financing environment in the European market and the arm's length negotiations between the Parties, the Directors consider that it would be beneficial to the Group to provide Jobs with the necessary funding for its future business development, in particular, in the China market. The Directors (including the independent non-executive Directors) consider that the terms of the Guarantee and the Financial Assistance are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As both the Company and Taiwan FF, a controlling shareholder and a connected person of the Company, are indirect shareholders of Jobs and Taiwan FF is entitled to exercise, or control the exercise of, approximately 15.05% of the voting power at any general meeting of Jobs, the entering into of the Guarantee and the provision of Financial Assistance by Sky Thrive constitutes a connected transaction under Rule 14A.13(2)(a)(ii) of the Listing Rules. As the relevant applicable percentage ratios are more than 0.1% but less than 5%, the connected transaction is 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 24,403,347 shares in Taiwan FF (representing approximately 15.50% of the entire issued capital thereof) had chosen to abstain from voting, no Directors had a material interest in the Guarantee or the Financial Assistance and were 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 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.

Jobs is principally engaged in the design and production of 5-axis milling machines for aerospace, automotive and mechanical engineering applications and there are subsidiaries or services centres located at over 10 cities worldwide.

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

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings respectively set adjacent below:–

- “Alma”** Alma S.r.l., a company incorporated in Italy with limited liability
- “associate”** has the meaning ascribed 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
- “Contribution Agreement”** FFG Europe S.p.A. Contribution Agreement dated 27 September 2012 entered into by Sky Thrive, Golden Friendship, World Ten and Alma, as more particularly described in the announcement and circular of the Company dated 28 September 2012
- “Directors”** the directors 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 held as to 30.16% by Sky Thrive, 15.05% by Golden Friendship, 14.79% by World Ten Limited and 40.00% by Alma upon completion of the Contribution Agreement
“Financial Assistance”	the procurement to provide Offshore Credit Instruments totaling Euro 3,360,000 by Sky Thrive to secure the Italian Facilities pursuant to the Guarantee
“Golden Friendship”	Golden Friendship International Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Taiwan FF
“Group”	the Company and its subsidiaries
“Guarantee”	the agreement dated 7 December 2012 entered into by Sky Thrive, Golden Friendship, World Ten and Alma pursuant to which, among others, Sky Thrive has agreed to provide the Financial Assistance to Jobs, the terms of which are summarised in this announcement
“Jobs”	Jobs Automazione S.p.A., a joint stock company incorporated in Italy, a wholly-owned subsidiary of FFG Europe upon completion of the Contribution Agreement
“Italian Facilities”	credit facilities to be provided by Italian bank to Jobs secured by the Offshore Credit Instruments
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offshore Credit Instruments”	standby letters of credit or equivalent form of instruments issued or confirmed by non-Italian bank
“Parties”	Sky Thrive, Golden Friendship, World Ten and Alma and “Party” shall mean any one of them

“percentage ratios”	has the meaning ascribed thereto under Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China
“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 8.35% 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, 7 December 2012

As at the date of this announcement, the Board 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.