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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)

**OFFERING AND LISTING OF THE TAIWAN DEPOSITARY RECEIPTS ON
THE TAIWAN STOCK EXCHANGE
AND
ISSUE OF NEW SHARES UNDER GENERAL MANDATE**

Reference is made to the announcement of the Company dated 10 December 2009, 13 January 2010 and 4 March 2010 in relation to the filing and approval of the application for the TDR listing and proposed offering and listing of the TDR on the Taiwan Stock Exchange respectively.

The Board is pleased to announce that on 11 March 2010, the Company entered into the Underwriting Agreement with the Underwriters in connection with the TDR Issue, whereby the Underwriters agreed to subscribe for, and shall procure subscribers for, on a fully underwritten basis, in aggregate 67.2 million units of TDR, representing in aggregate 67.2 million New Shares to be issued by the Company as underlying securities of the TDR, at the Offer Price which is NT\$14.5 (equivalent to approximately HK\$3.54) per TDR.

The offering of the TDR Issue shall comprise of the following:

- (a) an offer of 1,000 units of TDR for subscription by Securities and Futures Investors Protection Centre (證券投資人及期貨交易人保護中心) pursuant to the applicable securities laws in Taiwan;
- (b) an offer of an aggregate of 6,720,000 units of TDR for subscription by the Underwriters;
- (c) an offer of an aggregate of 6,048,000 units of TDR for application for subscription by the public in Taiwan; and
- (d) an offer of an aggregate of 54,431,000 units of TDR for subscription by selected institutional and individual investors in Taiwan through book building process.

The New Shares, which will be allotted and issued under the General Mandate, represent (i) 20% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the enlarged issued share capital of the Company following the issue of the New Shares under the TDR Issue. The New Shares will rank pari passu in all respects with the Shares then in issue on the date of issue of the New Shares.

It is expected that the Company will be able to raise about HK\$233,398,537 net proceeds from the TDR Issue which will be applied for purchasing machinery and equipment and construction of plant and repayment of bank loans.

Reference is made to the announcement of the Company dated 10 December 2009, 13 January 2010 and 4 March 2010 in relation to the filing and approval of the application for the TDR listing and proposed offering and listing of the TDR on the Taiwan Stock Exchange respectively.

UNDERWRITING AGREEMENT

Date

11 March 2010

Parties

The Company and the Underwriters

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Underwriters and their respective beneficial owners are third parties independent of the Group and the Group's connected persons.

Pursuant to the Underwriting Agreement, the Underwriters agreed to subscribe for, and shall procure subscribers for, on a fully underwritten basis, in aggregate 67.2 million units of TDR, representing in aggregate 67.2 million New Shares to be issued by the Company as underlying securities of the TDR, at the Offer Price. The Underwriters are entitled to an underwriting fees of NT\$12,000,000 in aggregate, representing approximately 1.23% of the aggregate Offer Price for all the 67.2 million units of TDR to be issued under the TDR Issue, and is payable in proportion to their respective underwriting amount.

Structure of the offering of the TDR Issue

The TDR Issue shall consist of 67.2 million units of TDR comprising of:

- (a) an offer of 1,000 units of TDR for subscription by Securities and Futures Investors Protection Centre (證券投資人及期貨交易人保護中心) pursuant to the applicable securities laws in Taiwan;

- (b) an offer of an aggregate of 6,720,000 units of TDR for subscription by the Underwriters;
- (c) an offer of an aggregate of 6,048,000 units of TDR for application for subscription by the public in Taiwan; and
- (d) an offer of an aggregate of 54,431,000 units of TDR for subscription by selected institutional and individual investors in Taiwan through book building process.

New Shares to be issued

67.2 million new Shares will be issued by the Company on or around 16 March 2010 as underlying securities of the TDR.

The New Shares represent (i) 20% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the enlarged issued share capital of the Company following the issue of the 67.2 million New Shares under the TDR Issue.

The New Shares will rank pari passu in all respects with the Shares then in issue on the date of issue of the New Shares.

The New Shares will be issued under the General Mandate and therefore no Shareholders' approval is required. The issue of the New Shares is not subject to any condition.

Offer Price

The New Shares will be issued at the Offer Price of NT\$14.5 (equivalent to approximately HK\$3.54) per Share, representing:

- (a) a premium of approximately 16.07% to the closing price of HK\$3.05 per Share as quoted on the Hong Kong Stock Exchange on 11 March 2010, being the date of signing of the Underwriting Agreement;
- (b) a premium of approximately 14.94% to the average of the closing prices of approximately HK\$3.08 per Share as quoted on the Hong Kong Stock Exchange for the last five consecutive trading days up to 11 March 2010; and
- (c) a premium of approximately 187.8% over net asset value per Share of approximately HK\$1.23 as at 31 December 2009 as shown in the published audited consolidated balance sheet of the Group as at 31 December 2009.

The Offer Price was arrived at after arm's length negotiations between the Company and the Underwriters by reference to, among other factors, the market conditions, the future business prospects of the Group and the demand from institutional and selected investors during the book building process. Based on estimated expenses of about HK\$4,260,000 for the TDR Issue, the Company will be able to raise about HK\$237,658,537 gross proceeds and HK\$233,398,537 net proceeds from the TDR Issue. On this basis, the net

issue price per New Share is approximately HK\$3.47. The Directors consider the terms of the Underwriting Agreement and the Offer Price are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Offer Price will be paid to the Company on or before 18 March 2010, being within the period of two days after the due day for settlement of the TDR units subscribed by the Underwriters and investors.

LISTING APPLICATIONS

The Taiwan Stock Exchange and the Taiwan Central Bank have granted the permission for the listing of the TDR on the Taiwan Stock Exchange. The Taiwan Securities and Futures Bureau has also approved the TDR Issue. It is expected that listing of and dealing in the TDR on the Taiwan Stock Exchange will commence at 9:00 a.m. on 18 March 2010.

An application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Shares on the Hong Kong Stock Exchange as soon as practicable. No application will be made by the Company for the listing of the TDR on the Hong Kong Stock Exchange.

REASONS FOR AND BENEFITS OF THE TDR ISSUE

The Directors are of the view that the TDR Issue will be the most appropriate method of raising extra funds for the Group's future business development having taken into account the Group's current working capital requirement, the prevailing market conditions and the cost involved in the TDR Issue when compared with other means of fund raising exercises.

The Directors believe that the issue of the TDR provides an attractive alternative for international investors, particularly potential investors in Taiwan, to invest and deal in the Shares, which will broaden and diversify the shareholder base of the Company and provide an additional fundraising platform for the Group. The Directors consider that the TDR Issue will also increase the public awareness of the Group and will promote the Group's corporate image internationally, which will enhance its competitiveness and be beneficial to the Group's overall business development and is therefore in the best interests of the Shareholders as a whole.

USE OF PROCEEDS

It is expected that the net proceeds from the TDR Issue will be approximately HK\$233,398,537 (equivalent to approximately RMB204,735,559). The Board intends to apply the net proceeds in the following manner:

- (a) as to approximately RMB129,396,662 for the purchase of machineries and equipments and construction of plant by the two wholly-owned subsidiaries of the Company in China, namely, Hangzhou Ever Friend Precision Machinery Co., Ltd and Hangzhou Glory Friend Machinery Technology Co., Ltd; and

- (b) the balance of approximately RMB75,338,897 for repayment of certain existing bank loans of the Group.

SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company as at the date of this announcement and immediately after completion of the TDR Issue based on the assumption that there shall be no change in the Company's share capital prior to the completion of the TDR Issue:

Name of Shareholder	As at the date of this announcement		Immediately after completion of the TDR Issue	
	No. of Shares	Approximate % of the issued share capital of the Company	No. of Shares	Approximate % of the issued share capital of the Company
Good Friend (H.K.) Corporation Limited	252,000,000	75.00	252,000,000	62.50
TDR holder	0	0	67,200,000	16.67
Other public Shareholders	84,000,000	25.00	84,000,000	20.83
	<u>336,000,000</u>	<u>100</u>	<u>403,200,000</u>	<u>100</u>

GENERAL MANDATE

By a resolution of the Shareholders passed at the annual general meeting of the Company held on 8 June 2009, the Company granted the General Mandate to the Directors to allot and issue up to 67,200,000 Shares, being 20% of the aggregate nominal value of the share capital of the Company in issue as at 8 June 2009, to be extended by an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company during the relevant period of the General Mandate.

The Directors have not exercised the power to allot and issue any new Shares pursuant to the General Mandate and the Company had not repurchased any Shares since the grant of the General Mandate. Therefore, as of the date of this announcement, the Directors can allot and issue up to 67,200,000 Shares under the General Mandate.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not carried out any capital fund raising activities during the 12 months immediately preceding the date of this announcement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms will have the following meaning:

“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 Hong Kong Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“General Mandate”	the general mandate granted to the Directors to allot and issue Shares pursuant to a resolution of the Shareholders of the Company passed at the annual general meeting of the Company held on 8 June 2009
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on Hong Kong Stock Exchange
“New Shares”	new Shares to be issued as underlying securities of the TDR Issue
“NT\$”	New Taiwan Dollars, the lawful currency of Taiwan
“Offer Price”	NT\$14.5, the price per TDR
“RMB”	Renminbi yuan, the lawful currency of the People’s Republic of China
“Shareholders”	holders of Shares
“Shares”	ordinary shares of HK\$0.01 each in the issued share capital of the Company

“Taiwan Central Bank”	The Central Bank of the Republic of China
“Taiwan Securities and Futures Bureau”	Taiwan Financial Supervisory Commission, Securities and Futures Bureau
“Taiwan Stock Exchange”	Taiwan Stock Exchange Corporation
“TDR”	the Taiwan depositary receipts proposed to be issued by Mega International Commercial Bank Co., Ltd., a depositary bank in Taiwan pursuant to the TDR Issue
“TDR Issue”	the proposed issue of 67.2 million units of TDR (comprising 67.2 million New Shares as underlying securities)
“Underwriters”	Polaris Securities Co., Ltd., Grand Cathay Securities Co., Ltd., President Securities Corp., Bank of Taiwan Securities Co., Ltd., IBT Securities Co., Ltd., Land Bank of Taiwan and First Securities Inc., the underwriters of the TDR Issue
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriters on 11 March 2010 in respect of the TDR Issue
“%”	per cent

For the purpose of this announcement, the exchange rates of HK\$1.00 = NT\$4.10 and RMB1.00 = HK\$1.14 have been used for currency conversions. This is for the purpose of illustration and does not constitute a representation that any amounts in HK\$ or NT\$ or RMB have been, could have been or may be converted at such rate or any other exchange rate.

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

Hong Kong, 11 March 2010

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.