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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)**

### **MAJOR AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**

## **ALTUS CAPITAL LIMITED**

On 25 September 2015, the Company, FFG and BNP entered into the Engagement Letter, pursuant to which BNP will arrange the Facility for the maximum principal amount of Euro 50 million to be available to the Company and FFG on a joint and several basis.

As at the date of this announcement, Taiwan FF is indirectly holding approximately 57.54% of the entire issued share capital of the Company and the Company is indirectly holding 39% interest in FFG. Taiwan FF, through its wholly-owned subsidiary Golden Friendship, holds 10% in FFG. Accordingly, FFG is a commonly held entity for the purpose of Rule 14A.27 of the Listing Rules. As the Facility will be available to the Company and FFG on a joint and several basis, each of the Company and FFG will be liable for the indebtedness incurred by the other under the Facility. Accordingly, the Facility constitutes a connected transaction involving provision of financial assistance to a commonly held entity by the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios for the Facility is more than 25% but all are less than 75%, the Facility also constitutes a major transaction of the Company for the purpose of Chapter 14 of the Listing Rules.

The Facility is subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. The Independent Board Committee has been established to advise the Independent Shareholders in relation to, among others, the Facility. Altus Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

A circular containing, among others, (i) further details of the Facility and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Facility; (iii) a letter of advice from Altus Capital Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders regarding the Facility and the transactions contemplated thereunder; and (iv) the notice convening the EGM, will be dispatched to the Shareholders on or before 20 October 2015.

## INTRODUCTION

The Board is pleased to announce that on 25 September 2015, the Company, FFG and BNP entered into the Engagement Letter, pursuant to which BNP will arrange the Facility for the maximum principal amount of Euro 50 million to be available to the Company and FFG on a joint and several basis.

## PRINCIPAL TERMS OF THE FACILITY

The principal terms of the Facility proposed to be arranged are as follows:

- Lenders : BNP and other financial institutions to be engaged. It is expected that all lenders participating in the provision of the Facility and their respective ultimate beneficial owners will be third parties independent of and not connected with the Company or its connected persons
- Type of facility : Revolving facility
- Borrower : the Company and FFG, on a joint and several basis whereby each of the Company and FFG is also liable for the indebtedness incurred by the other under the Facility
- Maturity : 24 months from the date of the signing of the definitive facility agreement, extendable to 36 months upon consent of the relevant lender
- Availability Period : from the date of the signing of the definitive facility agreement to a date falling one month before the Maturity
- Interest Rate and Period : 1.9% plus the Euro interbank offered rate administered by the Banking Federation of the European Union per annum
- Interest period being three months or six months at the option of the borrower. Each of the loans drawn under the Facility shall be repaid at the end of the selected interest period unless otherwise re-financed by new loans to be drawn under the Facility
- Security : unsecured
- Ranking : the obligations under the Facility will rank at least *pari passu* with all present and future senior unsecured and unsubordinated obligations of the borrower

- Specific covenants : The occurrence of the following events will constitute an event of default incident, whereupon all loans drawn under the Facility will become immediately due and payable:
- (i) Taiwan FF owns, directly or indirectly, less than 51% of the issued shares of the Company;
  - (ii) Taiwan FF, Golden Wealth and Leadwell own directly or indirectly, on an aggregate basis, less than 51% of the shares in FFG;
  - (iii) Mr. Chu Chih-Yaung ceases to be the chairman of the Company; and
  - (iv) The Shares cease to be listed on the Stock Exchange or trading in the Shares are halted or suspended for more than 14 consecutive trading days.
- Use of proceeds : General corporate purpose

## **REASONS FOR THE TRANSACTION**

The joint and several borrowing arrangement between the Company and FFG in essence works as if a guarantee by the Company in favour of the lenders in respect of FFG's obligations under the Facility.

The Group is holding 39% shareholdings in FFG and it is treated as an associate in the accounts of the Group. FFG and its subsidiaries are engaged in the development, manufacturing and sale of machine tools and production systems, including high-end machine tools under the brands "Huller Hille", "Hessapp", "Honsberg", "Modul", "Witzig & Frank", "Boehringer-VDF". For the year ended 31 December 2014, which being the first full financial year of FFG since its incorporation in October 2013, the FFG and its subsidiaries managed to record a consolidated revenue of approximately Euro 173.4 million and the Company found such results encouraging.

The Company is of the view that FFG is in an expansion mode and FFG will, on one hand, engage in additional sales with its existing clients, who are mainly European clients, the FFG will, on the other hand, develop new clientele in Europe as well as in the PRC where it is expected that there will be rising demand for high-end machine tools. The Facility will provide the necessary finance for FFG to fund its expansion plan and the Company believes that it will also benefit from such expansion. Since its commencement of business in the fall of 2013, FFG and its subsidiaries have been providing the Group access to renowned brands of the industrial equipment business and such access has enabled the Group to diversify its product coverage and facilitated its efforts in broadening its customer base to capture customers with demand for high-end machine tools.

The Facility also benefits the Company in a direct manner in that the interest rates charged under the Facility is lower than the existing bank borrowings costs of the Group. Accordingly, the Company will also utilize the Facility to re-finance its existing bank borrowings. Secondly, the Group has been purchasing high-end computer numerical control machine tools from European suppliers and re-selling the same to customers in the PRC. The said trading transactions were settled in Euro and therefore the Facility will provide a financial channel for payments to its European suppliers including payments in advance.

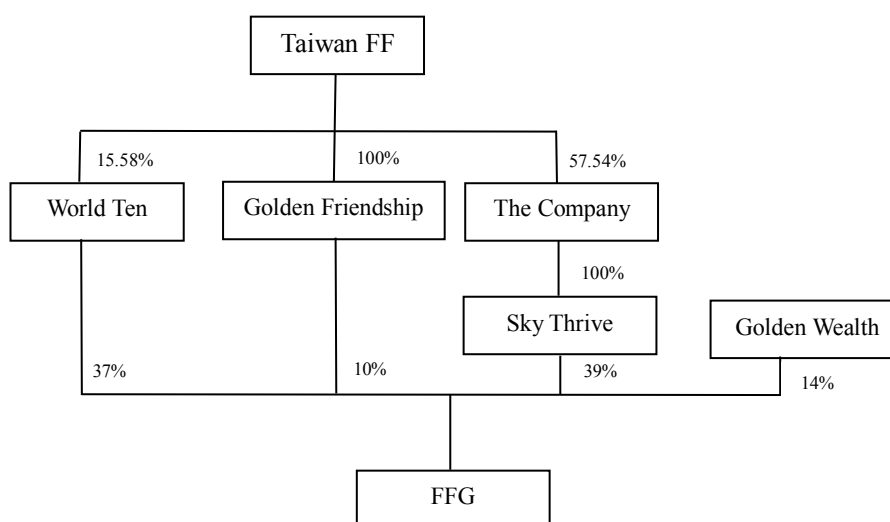
The terms of the Facility, including the interest rate, are negotiated amongst the lenders, the Company and FFG at arms' length level having regard to the prevailing interest rates for comparable banking facilities. In view of the aforesaid, the Board (excluding the independent non-executive Directors whose opinion will be subject to the advice of the independent financial adviser) considers that the terms and conditions of the Facility are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### INFORMATION ABOUT THE GROUP AND FFG

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

FFG was set up in October 2013 and FFG and its subsidiaries are principally engaged in the development, manufacturing and sale of machine tools and production systems.

The following diagram illustrates the shareholding structure of FFG as at the date of this announcement:



### IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Taiwan FF is indirectly holding approximately 57.54% of the entire issued share capital of the Company and the Company is indirectly holding 39% interest in FFG. Taiwan FF, through its wholly-owned subsidiary Golden Friendship, holds 10% in FFG. Accordingly, FFG is a commonly held entity for the purpose of Rule 14A.27 of the Listing Rules.

As the Facility will be available to the Company and FFG on a joint and several basis, each of the Company and FFG will be liable for the indebtedness incurred by the other under the Facility. Accordingly, the Facility constitutes a connected transaction involving provision of financial assistance to a commonly held entity by the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the Facility is more than 25% but all are less than 75%, the Facility also constitutes a major transaction of the Company for the purpose of Chapter 14 of the Listing Rules. The Facility is subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to, among others, the Facility. Altus Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

Taiwan FF is held as to approximately 15.35% by Mr. Chu, as to approximately 20.17% by the family members and relatives of Mr. Chu and as to the remaining 64.48% by individuals and corporations who are independent third parties.

Other than Mr. Chu, an executive Director and the Chairman of the Company, who is beneficially interested in 15,720,255 shares in Taiwan FF (representing approximately 15.35% of the entire issued capital thereof), who had abstained from voting, no Director had a material interest in the Facility which would require him to abstain from voting on the relevant Board resolution.

A circular containing, among others, (i) further details of the Facility and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Facility; (iii) a letter of advice from Altus Capital Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders regarding the Facility and the transactions contemplated thereunder; and (iv) the notice convening the EGM, will be dispatched to the Shareholders on or before 20 October 2015.

## **DEFINITIONS**

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

<b>“associate(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“BNP”</b>	BNP Paribas, a societe anonyme incorporated in France
<b>“Board”</b>	the board of Directors of the Company
<b>“Company”</b>	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

<b>“connected person”</b>	has the meaning ascribed to it under Chapter 14A of the Listing Rules
<b>“controlling shareholder(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Director(s)”</b>	the director(s) of the Company
<b>“EGM”</b>	the extraordinary general meeting of the Company to be convened for considering and, if thought fit, to approve the Facility
<b>“Engagement Letter”</b>	the engagement letter dated 25 September 2015 entered amongst BNP, the Company and FFG in relation to an Euro 50 million revolving facility
<b>“Euro”</b>	Euro, the lawful currency of the member states of the European Union
<b>“Facility”</b>	the Euro 50 million revolving loan facility to be made available to the Company and FFG on a joint and several basis
<b>“FFG”</b>	FFG Werke GmbH, a limited liability company incorporated in Germany
<b>“Golden Friendship”</b>	Golden Friendship International Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Taiwan FF
<b>“Golden Wealth”</b>	Golden Wealth Inc Limited, a limited liability company incorporated in Hong Kong
<b>“Group”</b>	the Company and its subsidiaries
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Hong Kong GF”</b>	Good Friend (H.K.) Corporation Limited, a company incorporated in Hong Kong with limited liability, the beneficial owner of 232,000,000 Shares (representing approximately 57.54% of the total issued share capital of the Company as at the date hereof) and is owned as to approximately 99.99% by Taiwan FF
<b>“Independent Board Committee”</b>	the independent non-executive Directors appointed as the members of an independent committee of the Board to advise the Independent Shareholders on the Facility

<b>“Independent Shareholder(s)”</b>	Shareholder(s) other than Hong Kong GF, Sunward Gold Global Investments Limited, a company held as to approximately 72.22% by Mr. Chu, and their respective associates and, if any, any other Shareholder who has a material interest and is required to abstain from voting at the EGM pursuant to the Listing Rules
<b>“Leadwell”</b>	Leadwell CNC Machines Mfg., Corp, a limited liability company incorporated in Taiwan, which holds 100% of the total issued shares of World Ten
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“major transaction”</b>	has the meaning ascribed under Chapter 14 of the Listing Rules
<b>“Mr. Chu”</b>	Mr. CHU Chih-Yaung, an executive Director and the Chairman of the Company, who is beneficially interested in 15,720,255 shares in Taiwan FF (representing approximately 15.35% of the entire issued capital thereof) and, through Sunward Gold Global Investments Limited, a company held as to approximately 72.22% by him, 20,000,000 Shares (representing approximately 4.96% of the entire issued capital of the Company)
<b>“percentage ratios”</b>	has the same meaning ascribed to it under the Listing Rules
<b>“PRC”</b>	The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC from time to time
<b>“Sky Thrive”</b>	Sky Thrive Hong Kong Enterprise Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
<b>“Shareholder(s)”</b>	Holder(s) of the Share(s) of the Company
<b>“Share(s)”</b>	the share(s) of HK \$ 0.01 each in the share capital of the Company

<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Taiwan FF”</b>	Fair Friend Enterprise Company Limited, a limited liability company incorporated in Taiwan on 15 March 1979
<b>“World Ten”</b>	World Ten Limited, a limited liability company incorporated in Hong Kong, and 15.58% of the issued share capital of which is held by Taiwan FF
<b>“%”</b>	per cent.

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

Hong Kong, 25 September 2015

*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.*