THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult appropriate independent professional advisers.

If you have sold or transferred all your shares in Good Friend International Holdings Inc., you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 12 of this circular. A letter from Altus Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 33 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 10:00 a.m. on Friday, 13 November 2015 at 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong is set out on pages 41 to 42 of this circular. A form of proxy for use at the aforesaid extraordinary general meeting is enclosed with this circular. Whether or not you propose to attend the meeting or any adjournment thereof, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting if you so wish.

28 October 2015

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In this circular (other than in the notice of EGM), the following expressions shall have the meanings set out below unless the context requires otherwise:

"Altus Capital" or the "Independent Financial Adviser"	Altus Capital Limited, a corporation licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholder in respect of the Facility
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"BNP"	BNP Paribas, a societe anonyme incorporated in France
"Board"	the board of Directors of the Company
"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 to it under Chapter 14A of the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened for considering and, if thought fit, to approve the Facility
"Engagement Letter"	the engagement letter dated 25 September 2015 entered amongst BNP, the Company and FFG in relation to an Euro50 million revolving facility
"Euro"	Euro, the lawful currency of the member states of the European Union
"Facility"	the Euro50 million revolving loan facility to be made available to the Company and FFG on a joint and several basis
"FFG"	FFG Werke GmbH, a limited liability company incorporated in Germany

"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"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong GF"	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
"Independent Board Committee"	the independent non-executive Directors appointed as the members of an independent committee of the Board to advise the Independent Shareholders on the Facility
"Independent Shareholder(s)"	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
"Latest Practicable Date"	27 October 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Leadwell"	Leadwell CNC Machines Mfg., Corp, a limited liability company incorporated in Taiwan, which holds 100% of the total issued shares of World Ten
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"major transaction"	has the meaning ascribed under Chapter 14 of the Listing Rules

"Mr. Chu"	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)
"percentage ratios"	has the same meaning ascribed to it under the Listing Rules
"PRC"	The People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC from time to time
"Sky Thrive"	Sky Thrive Hong Kong Enterprise Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"Shareholder(s)"	Holder(s) of the Share(s) of the Company
"Share(s)"	the share(s) of HK$0.01 each in the share capital 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
"World Ten"	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
"%"	per cent.

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)

Executive Directors:–
Mr. Chu Chih-Yaung *(Chairman)*
Mr. Chen Hsiang-Jung *(Chief Executive Officer)*
Mr. Chen Min-Ho
Mr. Wen Chi-Tang
Mr. Chiu Rung-Hsien

Independent non-executive Directors:–
Mr. Koo Fook Sun, Louis
Mr. Chiang Chun-Te
Mr. Yu Yu-Tang

Registered Office:–
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:–
Room 2003, 20th Floor
Kai Tak Commercial Building
317-319 Des Voeux Road Central
Hong Kong

Principal Place of Business in the PRC:–
No. 120 Shixin North Road
Xiaoshan Economic and Technological Development Zone
Xiaoshan District
Hangzhou City
Zhejiang Province
The PRC

28 October 2015

To the Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION
PROVISION OF FINANCIAL ASSISTANCE

1. INTRODUCTION

Reference is made to the announcement dated 25 September 2015 in respect of provision of financial assistance.

The purpose of this circular is to provide you with, among other things, (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, 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.

2. PROVISION OF THE FACILITY

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 Euro50 million to be available to the Company and FFG on a joint and several basis.

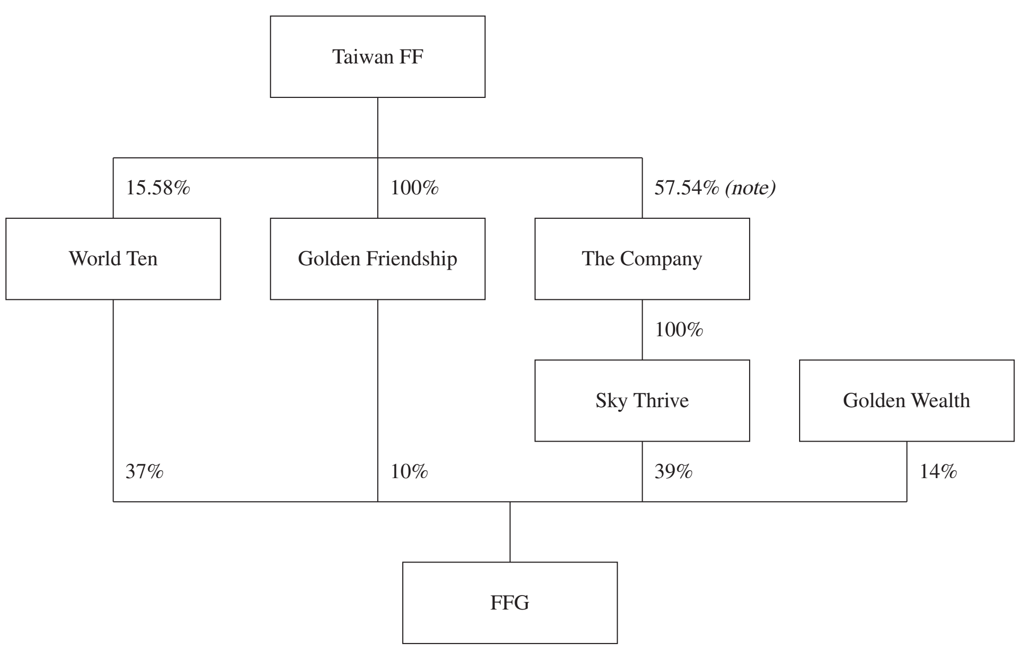
The principal terms of the Facility proposed to be arranged are set out as follows:–

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	:	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. The interest rate charged on the loans during the relevant selected interest period will be 1.9% plus the Euro interbank offered rate administrated by the Banking Federation of the European Union per annum and if such interbank offer rate is zero or less, such interbank offer rate is deemed 0.1%.
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

3. CORPORATE STRUCTURE

The following diagram illustrates the shareholding structure of the Group and FFG as at the Latest Practicable Date:



Note:

These interests are held through Hong Kong GF, a 99.99% held company of Taiwan FF.

4. INFORMATION ABOUT THE GROUP AND FFG

The Group is principally engaged in the design and production of computer numerical controlled machine tools, design and construction of three-dimensional car parking garage structures and design and assembling of forklift trucks. Taiwan FF indirectly control 57.54% of the total issued share capital of the Company.

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.

5. FINANCIAL EFFECT OF THE FACILITY

Save that a contingent liability of the Group will arise if FFG draws loans under the Facility, the Facility will not have any impact on the earnings, assets and liabilities of the Group.

6. 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. Likewise, FFG will also be liable for the indebtedness incurred by the Group under the Facility.

The Company is of the view that the Facility can address the business needs of both the Group and FFG and enhance the business relationship between the Group and FFG.

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, FFG and its subsidiaries managed to record a consolidated revenue of approximately Euro173.4 million and the Company found such results encouraging. As at the Latest Practicable Date, the Company has no intention to increase its interest in FFG and there is no other commitments to FFG.

In view of the encouraging results of FFG and its subsidiaries, the Company is positive about the business prospect of FFG. It is expected that 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 business and the Company believes that it will also benefit from the growth in the business of FFG. 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 an direct manner. 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. However, before those customers pay the purchase price to the Group, the Group is required to make advance payments to the suppliers in Europe. The Group has in the past settled the Euro payment obligations using its own Euros received during its ordinary course of trade or by its US or HK dollars bank borrowings. The Group's borrowings are in either US or HK dollars but not Euros. Following the incorporation of the wholly-owned entity at the China (Shanghai) Pilot Free Trade Zone in 2014 whose business is mainly in exploring and selling the high-end machine tools brands of FFG to customers in PRC, the Company expected that there will be more needs to settle advance payments in Euros. Accordingly, the Company believed that the Facility will provide a stable source of Euros to finance its ordinary trading activity and minimize the Group's expenses and exposures which may arise from currency exchange. Secondly, the interest rates charged on the existing borrowings of the Group are generally above 2.0% per annum. Where the Group is given a choice of the length of interest period under its existing borrowings, the Group will choose a shorter interest period which will bear a lower interest rate and gives the Group more flexibility and the Group will continue with this practice. The three-month EURIBOR in the past few months were negative and, in view of the prevailing economic conditions, the Company anticipates that the interest rate for the Facility will not exceed 2.0%. Accordingly, the Company will also utilize the Facility to re-finance its existing bank borrowings. Apart from the interest rate, the Company also considers that, given the current economic conditions that the interest rate for US dollars is likely to be increased, the US dollars will appreciates whereas Euros will be on a depreciating trend, borrowing in Euros will be more beneficial to the Group compared to borrowing in US dollars or HK dollars.

There is no specific allocation of the amount to be drawn under the Facility by the Company and FFG but it has been agreed in a legally binding agreement between the Company and FFG that it requires the Company approval if FFG intends to utilize the Facility. Meanwhile, the Company will inform FFG when it utilizes the Facility. The borrowings under the Facility shall be used for general corporate purpose but not for acquisition. Accordingly, the Company is able to control the risk that arises from guaranteeing FFG's indebtedness under the Facility.

The Company noted that the other shareholders of FFG were not joined as party to the Facility or guaranteeing FFG's obligations under the Facility on a pro-rata basis. Since FFG's short operating history and its private company nature, it would not be easy for FFG to obtain terms or amount which were comparable to the Facility if FFG borrowed in its own name. So far, the financing of FFG obtained from banks are all trade financing instead of borrowings allowed for general corporate or working capital purpose. On the other hand, if the Company borrows in its own name, the principal amount which the Company can obtain may be less than the amount of the Facility. Based on preliminary enquiry and feedback obtained from the Group's existing banks, (i) the existing banks are generally unable to grant further loans of a relatively large amount to the Group; and (ii) even if the existing bank were able to grant Euro denominated loans to the Group, the interest rate to be charged would not likely be lower than that currently charged to the Group. The Group's existing largest revolving loan amounts to US$15 million (equivalent to approximately Euro13.3 million). Further, unlike other shareholders of FFG which are all being non-listed company, the public and listing status of the Company has facilitated the negotiation with the lenders of the Facility. Further, the Company is able to control the amount to be drawn by FFG under the Facility and thus effectively control its risk under the Facility. Accordingly, while other shareholders of FFG are not providing any pro-rata financial assistance and the Group is providing financial assistance to FFG not pro-rata to the Group's shareholdings, the Board (excluding the independent non-executive Directors whose opinion will be subject to the advice of the independent financial adviser) considers that the Facility is fair and reasonable and in the interests of the Company and its Shareholders as a whole, given that the Group's interest in FFG, the benefits that FFG's business growth bring to the Group, the Group's ability to control the risk that arises from guaranteeing FFG's indebtedness under the Facility, the amount of the Facility and its commercial terms as well as the Group's own business and financing needs.

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.

7. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, 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.

8. EGM AND ACTION TO BE TAKEN

The EGM will be held at 10:00 a.m. on Friday, 13 November 2015 at 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong to consider and, if thought fit, approve the Facility and the transactions contemplated thereunder. A notice convening the EGM is set out on pages 41 to 42 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof if you so wish.

Any connected person of the Company with a material interest in the transactions contemplated under the Facility, and any Shareholder with a material interest in the transactions thereof and its associates, shall not vote upon the proposed resolutions in relation to the transactions contemplated under the Facility at the EGM. In this respect, Hong Kong GF (which being a company held as to 99.99% by Taiwan FF such that Taiwan FF, through Hong Kong GF, is interested in approximately 57.54% shareholdings in the Company), Sunward Gold Global Investments Limited, a company held as to approximately 72.22% by Mr. Chu, and any of their respective associates are required to abstain from voting in relation to the relevant resolution at the EGM.

9. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 12 of this circular; and (ii) the letter from Altus Capital set out on pages 13 to 33 of this circular which contain their advice to the Independent Board Committee and the Independent Shareholders. The Independent Board Committee concurs with the opinion of Altus Capital that the Facility and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable.

The Board is of the view that the terms of the Facility and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant resolution at the EGM.

10. GENERAL

Your attention is drawn to the additional information set out in the appendix to this circular.

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

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)

28 October 2015

To the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

We have been appointed to form this Independent Board Committee to consider and advise you on the terms of the Facility and the transactions contemplated thereunder, details of which are set out in the circular issued by the Company to the Shareholders dated 28 October 2015 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires. Altus Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in this matter.

Under Chapter 14A of the Listing Rules, the transaction contemplated under the Facility constitutes a connected transaction for the Company and is thus subject to the approval of the Independent Shareholders.

We wish to draw your attention to the letter from the Board and letter of advice from Altus Capital set out on pages 4 to 11 and pages 13 to 33 of the Circular respectively.

Having taken into account (i) the factors as disclosed in the section headed **"Reasons for the transaction"** in the **"Letter from the Board"** of the Circular; and (ii) the principal factors and reasons considered by Altus Capital, and their conclusion and advice, we consider and concur with the opinion of Altus Capital that although provision of financial assistance to FFG as contemplated under the Facility was not entered into in the ordinary and usual course of business of the Group, the terms of the Facility and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable, and that the transactions contemplated thereunder are in the interest of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the said transaction.

Yours faithfully,
For and on behalf of the Independent Board Committee

KOO Fook Sun, Louis	**CHIANG Chun-Te**	**YU Yu-Tang**

Independent non-executive Directors

The following is the text of a letter of advice from Altus Capital to the Independent Board Committee and the Independent Shareholders in respect of the provision of financial assistance, which has been prepared for the purpose of incorporation in this circular.

ALTUS CAPITAL LIMITED
21 Wing Wo Street
Central, Hong Kong

28 October 2015

To the Independent Board Committee and the Independent Shareholders

Good Friend International Holdings Inc.
Room 2003, 20th Floor
Kai Tak Commercial Building
317-319 Des Voeux Road Central
Hong Kong

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
PROVISION OF FINANCIAL ASSISTANCE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the provision of financial assistance. Details of the transaction are set out in the "Letter from the Board" contained in the circular of the Company dated 28 October 2015 (the "**Circular**"), of which this letter forms part. Terms used herein shall have the same meanings as those defined in the Circular unless the context requires otherwise.

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 Euro50 million to be available to the Company and FFG on a joint and several basis.

As at the Latest Practical Date, 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

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Koo Fook Sun, Louis, Mr. Chiang Chun-Te and Mr. Yu Yu-Tang, has been established to consider the Facility and the transaction contemplated thereunder, and to give advice and recommendation to the Independent Shareholders as to whether the Facility and the transaction contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and on how to vote on the resolution to be proposed at the EGM.

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Facility is entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Facility are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the resolution to be proposed at the EGM.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions, and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions, and representations contained or referred to in the Circular and/or provided to us were true, accurate, and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any statements, information, opinions, or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us to be untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

The Company is an investment holding company and its subsidiaries are principally engaged in the design and production of computer numerical control ("**CNC**") machine tools, design and construction of three-dimensional car parking garage structures and design and assembling of forklift trucks.

1.1 Historical financial information

Set out below is a summary of the Group's financial performance for the two years ended 31 December 2013 and 2014 as extracted from the annual report of the Company for the year ended 31 December 2014 (the "**2014 Annual Report**") and the interim report for the six months ended 30 June 2015 (the "**2015 Interim Report**").

	Year ended 31 December		**Six months ended 30 June**
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Revenue	1,350,271	1,300,119	513,531
Gross profit	309,771	344,894	137,960
Finance costs	(7,964)	(9,174)	(4,190)
Share of (loss) of an associate	(26,321)	(8,559)	(1,207)
(Loss) on disposal of a subsidiary and an associate	(9,742)	–	–
Profit attributable to equity holders of the Company	36,868	101,313	26,843

	As at 31 December		As at 30 June
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Borrowings	367,752	402,079	475,158
Restricted bank deposits	60,167	134,681	192,715
Term deposits with initial term of over three months	24,000	98,000	25,000
Cash and cash equivalents	211,829	262,751	247,334
Net current assets	361,656	440,433	449,214
Net asset value	673,000	726,695	729,433

Source: 2014 Annual Report and 2015 Interim Report

Year ended 31 December 2014

As mentioned in the 2014 Annual Report, for the year ended 31 December 2014, the Group recorded revenue of approximately RMB1,300.1 million, representing a slight decrease of approximately 3.7% as compared to the year ended 31 December 2013. The decrease in revenue was mainly due to the decrease in sales of both CNC machine tools business and forklift truck business. During 2014, sales of CNC machine tools continued to remain as the major source of the Group's revenue, which accounted for approximately 74.2% of the Group's total revenue. Gross profit of the Group for the two years ended 31 December 2013 and 2014 amounted to approximately RMB309.8 million and RMB344.9 million respectively, representing a gross profit margin of approximately 22.9% and 26.5% respectively. The year-on-year increase in gross profit margin was mainly attributable to the reduction in raw material prices. Finance costs increased to approximately RMB9.2 million during the year ended 31 December 2014 from approximately RMB8.0 million during the year ended 31 December 2013 primarily due to the increase of average bank borrowings of the Group. Profit attributable to equity holders of the Company amounted to approximately RMB101.3 million in 2014, representing an increase of approximately 174.8% as compared to 2013. The increase in profit attributable to equity holders of the Company from 2013 to 2014 is in line with the aforementioned rise in gross profit margin. The respective lower levels in the share of loss of an associate in 2014 compared to 2013 as well as the absence of the one-off loss on disposal of a subsidiary and an associate in 2013 also contributed to the rise in profit from 2013 to 2014.

During the year ended 31 December 2014, the working capital of the Group was mainly financed by internal cash flows generated from its operation and its existing banking facilities. As at 31 December 2014, the Group's cash and cash equivalents amounted to approximately RMB262.8 million (at 31 December 2013: RMB211.8 million) whilst net current assets amounted to approximately RMB440.4 million (at 31 December 2013: RMB361.7 million). The Group's bank borrowings increased to approximately RMB402.1 million as at 31 December 2014 (as at 31 December 2013: RMB367.8 million), and accordingly, the gearing ratio as at 31 December 2014 (total interest bearing liabilities to total assets) increased to approximately 24.7% (at 31 December 2013: 23.2%).

Six months ended 30 June 2015

As mentioned in the 2015 Interim Report, the Group recorded revenue of approximately RMB513.5 million, representing a decrease of approximately 24.6% as compared to the corresponding period in 2014. The decrease was mainly due to the decrease in sales of both CNC machine tools business and forklift truck business; while on the other hand, revenue from parking garage structures increased as compared to the corresponding period in 2014. CNC machine tools remained the major source of the Group's revenue, which accounted for approximately 68.3% of the Group's total revenue. Gross profit of the Group during the six months ended 30 June 2015 amounted to approximately RMB138.0 million, representing a gross profit margin of approximately 26.9% (six months ended 30 June 2014: 25.1%). The Group's increase in gross profit margin was mainly due to the increase in the gross profit margin of CNC machine tools, which was the Group's major product. Finance costs decrease from approximately RMB4.8 million during the six months ended 30 June 2014 to approximately RMB4.2 million during the six months ended 30 June 2015, which was mainly due to the decrease in average bank borrowings of the Group during the corresponding period. Profit attributable to equity holders of the Company amounted to approximately RMB26.8 million for the six months ended 30 June 2015, representing a decrease of approximately 41.4% as compared to the same period in 2014, which was mainly attributable to the lower level of revenue recorded during the period.

During the six months ended 30 June 2015, the working capital of the Group was mainly financed by internal cash flows generated from its operation and its existing banking facilities. As at 30 June 2015, the Group's cash and cash equivalents remained relative stable amounting to approximately RMB247.3 million (at 31 December 2014: RMB262.8 million) whilst net current assets increased slightly to approximately RMB449.2 million (at 31 December 2014: RMB440.4 million). The Group's bank borrowings increased to approximately RMB475.2 million as at 30 June 2015 (as at 31 December 2014: RMB402.1 million), and accordingly, the gearing ratio as at 30 June 2015 increased to approximately 27.9% (at 31 December 2014: 24.7%).

1.2 Prospects of the Group

During the year 2014, the Group has incorporated a wholly-owned entity at the China (Shanghai) Pilot Free Trade Zone ("**Shanghai Entity**"), of which its principal business activities are to explore and sell the high-end machine tools under the brands of FFG to customers in the PRC. As disclosed in the 2014 Annual Report, the Management believes that FFG would be beneficial to the future development of the Group's business by 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 to broaden its customer base to capture demand for high-end machine tools. On 23 September 2015, the Group had completed the acquisition and increased its shareholding interest in FFG from 13.5% to 39.0%. Taking into account of the reasons for and benefits of the abovementioned transaction as disclosed in the circular of the Company dated 7 September 2015, the Management is of the view, and we concur, that the Group's enhanced relationship with FFG would allow it to better capture the abovementioned benefits, which would be beneficial to the Group and FFG's future development.

The formulation of the 12th Five Year Plan by the PRC central government is also expected to stimulate demand for machine tools from the industries of high-speed railway, aerospace, motor vehicle and energy, especially demand for high-end CNC machine tools, which is expected to benefit the Group's CNC machine tools business. The Group will continue to explore and sell such high-end CNC machine tools products (the production of which is primarily in Italy and Germany) to customers. Notwithstanding this, in view of the recent market conditions, the Directors expect the operating environment in 2015 will continue to be challenging and the Group intends to strengthen its business foundation under a consistent and cautious manner in order to maintain its competitiveness. The Management is optimistic on the long-term development prospects of the Group.

2. Information of FFG

FFG was incorporated in Germany on 17 October 2013. It is principally engaged in the development, manufacturing and sale of machine tools and production systems. As at the Latest Practicable Date, the Group indirectly holds approximately 39.0% interest in FFG. Details of the shareholding structure of FFG are set out in the "Letter from the Board" of the Circular.

2.1 Historical financial information

Set out below is a summary of financial highlights of FFG for the period from its incorporation on 17 October 2013 to 31 December 2013 and for the year ended 31 December 2014 as extracted from the audited financial accounts of FFG.

	For the period from 17 October 2013 to 31 December 2013	**Year ended 31 December 2014**
	(Note 1)	
	Euro'000	*Euro'000*
	(audited)	(audited)
Revenue	4,310	173,366
Profit before tax	0.3	1,012
Net profit	0.3	676

	As at 31 December	
	2013	**2014**
	Euro'000	*Euro'000*
	(audited)	(audited)
Cash and cash equivalents	46	1,601
Bank borrowings	–	5,668
Net asset value	8,500	9,177
Gearing ratio *(Note 2)*	–	6.5%

Source: Audited financial statements as of 31 December 2014 of FFG

Notes:

1. FFG was incorporated on 17 October 2013 and commenced operations on 21 December 2013.

2. The gearing ratio of FFG is calculated as the total interest bearing liabilities (being bank borrowings) over total assets of FFG.

FFG recorded revenue of approximately Euro173.4 million, profit before tax of approximately Euro1.0 million and net profit of approximately Euro0.7 million during the year ended 31 December 2014, being its first full year of operation. Based on our discussion with the Management, the low profit margin was in line with expectation as FFG was only in its first full financial year of operation after its start-up phase, and needs further time to increase its operational efficiency. Cash and cash equivalents as at 31 December 2014 was approximately Euro1.6 million with net asset value amounting to approximately Euro9.2 million. As at 31 December 2014, FFG recorded bank borrowings of approximately Euro5.7 million (31 December 2013: nil), and accordingly the gearing ratio amounted to approximately 6.5% as at 31 December 2014 (31 December 2013: nil).

2.2 Prospects of FFG

As mentioned in the "Letter from the Board" of the Circular and based on our discussion with the Management, FFG had recorded encouraging results in its revenue and general operating performance in 2014 (its first full financial year of operations). Against the backdrop of stable economic growth, the Management advised that they see good opportunities for FFG to assert itself in its domestic (Germany) and international business environment and to generate growth in sales revenue. In particular, as mentioned in the paragraph headed "1.2 Prospects of the Group" above, FFG will have the opportunity to expand into the PRC market through cross selling high-end machine tools under its brands via the Shanghai Entity in the China (Shanghai) Pilot Free Trade Zone.

3. The Facility

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 Euro50 million to be available to the Company and FFG on a joint and several basis. The key terms of the Facility are summarised below:

Maximum principal	:	Euro50 million
Interest Rate and Period	:	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 The interest rate charged on the loans during the relevant selected interest period will be 1.9% plus the Euro interbank offered rate administrated by the Banking Federation of the European Union per annum and if such interbank offer rate is zero or less, such interbank offer rate is deemed 0.1%

Security	:	unsecured
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: Taiwan FF owns, directly or indirectly, less than 51% of the issued shares of the Company; Taiwan FF, Golden Wealth and Leadwell own directly or indirectly, on an aggregate basis, less than 51% of the shares in FFG; Mr. Chu Chih-Yaung ceases to be the chairman of the Company; and 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.

In view of the business needs of both the Company and FFG to use Euro in the ordinary and usual course of their respective businesses, the Company and FFG approached BNP regarding the Facility. The terms of the Facility, including the interest rate, are agreed amongst the lenders, the Company and FFG based on arms' length negotiations and having regard to the prevailing interest rate for comparable banking facilities. Furthermore, we note that the Facility does not require any security to be provided by the Group or FFG. We are of the view that this is favourable to the Group as it would allow the Group to have more commercial flexibility.

Having reviewed the terms of the Group's existing bank facilities with independent third party banks, we note that such existing bank facilities contain terms similar to those as set out in the Facility, such as the restrictive covenants mentioned above, which is also granted by an independent third party bank. Accordingly, we are of the view that the terms under the Facility are normal commercial terms and are fair and reasonable for the Group to accept. In addition, we have also researched companies listed on the Stock Exchange which have published announcements in relation to loan agreements with specific performance covenants pursuant to Rule 13.18 of the Listing Rules (the "**Comparables**") during the one month period immediately preceding the date of the Engagement Letter (the "**Review Period**"). Based on our best endeavour and as far as we are aware, we have identified an exhaustive and complete list of 15 Comparables which have made such type of announcements. For the purposes of conducting a comprehensive comparison, we have not excluded any companies from the Comparables list. We note from the announcements of the

Comparables that none of them have borrowed from connected persons. We are of the view that Review Period is appropriate to ascertain lending terms under similar market conditions as compared to the Group in relation to the Facility. Details of the restrictive covenants of the Comparables are summarised below.

Company	Stock code	Date of announcement	Key restrictive covenants/events that will constitute an event of default
China Tian Lun Gas Holdings Limited	1600	23 September 2015	The controlling shareholder, his spouse and his son, as a group, at any time for any reason ceases to own, directly and/or indirectly, at least 33% of both economic and voting interests in the borrower's or the company's share or equity capital (determined on a fully diluted basis)
Kin Yat Holdings Limited	638	9 September 2015	The controlling shareholder of the company as at the date of the announcement and the discretionary trust set up by the controlling shareholder for the benefit of his family collectively shall beneficially or directly maintain a shareholding of not less than 50% of the issues share capital of the company
HKR International Limited	480	8 September 2015	An event of default is triggered when the existing individual shareholder of the company (together with his associate(s)), holding the single largest shareholding (direct and indirect) in the company on the date of the loan agreement, ceases to be the company's single largest beneficial shareholder at any time during the term of the loan agreement
Build King Holdings Limited	240	7 September 2015	The controlling shareholder of the company, shall beneficially hold not less than 50% interest (directly or indirectly) in the issued share capital of the company throughout the life of the banking facility
NewOcean Energy Holdings Limited	342	4 September 2015	In the event the Shum family cease to remain as the single largest beneficial shareholder of the company; or maintains less than 30% shareholding of the company, or cease to have control over the company, the facility available to the company will be cancelled and all outstanding amounts will then become immediately due and payable

Company	Stock code	Date of announcement	Key restrictive covenants/events that will constitute an event of default
China Huiyuan Juice Group Limited	1886	4 September 2015	In the event that the controlling shareholder: (i) does not or ceases to maintain control (including control of the management and business) of the group; (ii) is not or ceases to be the chairman or executive director of the company; (iii) does not or ceases to beneficially own, directly or indirectly, at least 40% of the issued share capital of the company; or (iv) is not or ceases to be the largest shareholder of the company
Xiezhong International Holdings Limited	3663	31 August 2015	If the controlling shareholder of the company holds, directly or indirectly, less than 25% equity interest of the company or if certain major shareholder and substantial shareholder hold, directly or indirectly, less than 30% equity interest of the company, it will constitute an event of default
L.K. Technology Holdings Limited	558	28 August 2015	It would constitute an event of default under the facility agreement if (i) a controlling shareholder of the company held as to approximately 57.6% of equity interests in the company as at the date of the facility agreement and his family (the "Major Shareholders") collectively do not or cease to own, directly or indirectly, at least 40% of the beneficial interest in the company, carrying at least 40% of the voting right, free from any security; (ii) the Major Shareholders collectively are not or cease to be the single largest shareholder of the company; (iii) the Major Shareholders collectively do not or cease to have control over the board of directors of the company; and (iv) the spouse of the controlling shareholder is not or ceases to be the chairman of the company

Company	Stock code	Date of announcement	Key restrictive covenants/events that will constitute an event of default
China Development Bank International Investment Limited	1062	26 August 2015	If (A) the facility A borrower ceases to directly or indirectly hold, legally and beneficially: (1) more than 50% of the issued share capital of the company; (2) issued share capital having the right to cast more than 50% of the votes capable of being cast in general meetings of the company; or (3) the right to determine the composition of the majority of the board of directors or equivalent body of the company; or (B) the facility A borrower ceases to have power to manage or direct the company through ownership of share capital, by contract or otherwise
China Fiber Optic Network System Group Limited	3777	27 August 2015	(i) a certain executive director of the company and the chairman of the board, will continue to maintain, directly or indirectly, not less than 30% beneficial interest in the issued shares of the company; and (ii) such abovementioned chairman of the board will remain as the chairman of the board
China Fiber Optic Network System Group Limited	3777	27 August 2015	(i) the company's controlling shareholder shall maintain directly or indirectly not less than 30% of the issued shares of the company; (ii) a certain executive director of the company and the chairman of the board shall maintain directly or indirectly not less than 75% of issued shares of the controlling shareholder; and (iii) such abovementioned chairman of the board will remain as the chairman of the board
China Aoyuan Property Group Limited	3883	26 August 2015	The company shall procure that: (a) Guo family will beneficially own the company as single majority shareholder and the company shall remain at all times under the control of Guo family; and (b) the existing chairman will continue to act as the chairman of the board of directors of the company
Beijing Properties (Holdings) Limited	925	25 August 2015	The borrower agrees to the bank to ensure that the borrower will procure Beijing Enterprises Group Company Limited to continue to beneficially own (directly or indirectly) at least 40% of the entire issued share capital of the company

Company	Stock code	Date of announcement	Key restrictive covenants/events that will constitute an event of default
China Resources Cement Holdings Limited	1313	25 August 2015	It shall be an event of default if China Resources (Holdings) Company Limited ceases to maintain directly or indirectly more than 35% of the issued share capital of the company
Kam Hing International Holdings Limited	2307	25 August 2015	(a) the chairman of the company is not or ceases to be either one of Mr. Tai Chin Chun and Mr. Tai Chin Wen (both being executive directors and substantial shareholders of the company) (together with their respective spouses, Ms. Cheung So Wan and Ms. Wong Siu Yuk (who are also executive directors) (the "Tai Family"); (b) Mr. Tai Chin Chun and Mr. Tai Chin Wen do not or cease to have management control of the group; (c) the Tai Family collectively: (i) does not or ceases to beneficially own, directly or indirectly, at least 40% of the entire issued share capital of the company, carrying at least 40% of the voting right, free from any security interest; (ii) is not or ceases to be the single largest shareholder of the company; and/or (iii) does not or ceases to appoint or nominate the majority of the board

Whilst we note that the loan agreements entered into by the Comparables vary in terms of principal amount and currency (whilst the interest rate is usually not disclosed), based on the fact that all the loan agreements entered into by the exhaustive and complete list of Comparables contain similar restrictive covenants as those set out in the Facility, we are of the view that such terms under the Facility are generally imposed by banks and accordingly are normal commercial terms.

Based on our discussion with the Management, we understand that the interest rates charged under the Facility is generally lower than the existing bank borrowings of the Group, which are denominated in United States dollars and Hong Kong dollars. We have reviewed the Group's recent bank statements relating to its existing bank loans with financial institutions other than BNP and note that these loans generally charge an interest rate of above 2.0% per annum. Based on the negative 3 months EURIBOR rate quoted as at 30 September 2015, the interest rate of the Facility amounts to 2.0% per annum. Accordingly, we are of the view that the terms of the Facility are beneficial to the Group since it charges a lower interest rate than that of the Group's existing borrowings. In particular as mentioned in the "Letter from the Board" in the Circular, the Group may save on interest costs by utilising the Facility to re-finance its existing bank borrowings. We note that notwithstanding the different denomination of the Group's existing bank borrowings and the Facility, save for certain transaction costs for foreign currency exchange, the Group would be able to save on interest costs by re-financing its existing higher interest rate bank borrowings with relatively cheaper loans.

Based on our discussion with the Management, we understand that the Group has identified United States dollar bank borrowings of up to approximately US$25 million (equivalent to approximately Euro22 million) being charged at an interest rate of more than 2.0% per annum, which the Group intends to refinance by utilising the Facility. We also note that the Management is of the view, based on the negative 3-months EURIBOR rate since April 2015, that the EURIBOR rate is expected to remain at a relatively low level in the near future. Notwithstanding the above, should the EURIBOR rate increase to the extent that the interest rate under the Facility becomes higher than that of the Group's existing bank borrowings, the Group would then choose to repay the Facility. Set out below is an illustration of the interest cost saving by refinancing the Group's existing bank borrowings with the Facility.

	Existing bank borrowing	**The Facility** (charged at an interest rate of 2.0% per annum)			
	(charged at a weighted average interest rate of 2.25% per annum)	Based on spot exchange rate as at 22 October 2015: Euro 1: US$1.1137	Based on 3 month forward exchange rate: Euro 1: US$1.1124	Based on 6 months forward exchange rate: Euro 1: US$1.1146	Based on 1 year forward exchange rate: Euro 1: US$1.1189
Principal amount	US$25 million	N/A	N/A	N/A	N/A
Amount required to convert into US$25 million	N/A	Euro22,447,697	Euro22,473,930	Euro22,429,571	Euro22,343,373
Interest cost per annum	US$562,500	Euro448,954 (equivalent to US$500,000)	Euro449,479 (equivalent to US$500,000)	Euro448,591 (equivalent to US$500,000)	Euro446,867 (equivalent to US$499,999)
Interest cost savings (*Note*)	N/A	US$62,500	US$62,500	US$62,500	US$62,501

Note: Foreign exchange transaction cost excluded due to its nominal amount.

Apart from the above interest cost savings, we note that as disclosed in the "Letter from the Board" of the Circular, the Management also considers that, given the current economic conditions the interest rate for US dollars is likely to increase, and accordingly the US dollar would appreciate against the Euro; hence borrowing in Euro would be more beneficial to the Group as compared to borrowing in US dollars or Hong Kong dollars.

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. Under the arrangement of the Facility, both the Company and/or FFG may, in aggregate, draw down a maximum loan of Euro50 million, subject to the amount of the unutilised portion of the revolving loan facility. Each of the Company and FFG may draw down the maximum amount of Euro50 million. Regarding the procedure for drawdown of the Facility, FFG shall be required to obtain approval from the Company each time before any funds are to be drawn from the Facility. On the other hand, the Company will notify FFG (but not need to obtain approval) each time before any funds are to be drawn from the Facility. Based on the facts that (i) the Company may draw down the entire amount of the Euro50 million revolving loan, provided that it is unutilised by FFG; (ii) that FFG will be liable for the indebtedness incurred by the Company in such instance; and (iii) the Company will be notified in advance of FFG's plans to utilise the Facility, we are of the view that it is commercially justifiable that in the reciprocal event where FFG shall utilise the revolving loan, the Company would be liable for the indebtedness incurred by FFG. Based on our review of the unaudited management accounts of FFG for the six months ended 30 June 2015, we note that FFG had total assets amounting to over Euro100 million and current assets amounting to over Euro60 million. Based on the above, we are of the view that FFG would have sufficient resources to repay the Facility in the unlikely event of the Group's default. Meanwhile, we understand from the Management that the Group will use its best endeavour to repay its liabilities under the Facility.

We note that the Group, with its 39% shareholding interest is the single largest shareholder of FFG. As compared to the other shareholders of FFG (being World Ten, Golden Friendship and Golden Wealth) and Taiwan FF, the Group has more at stake in securing the Facility for itself and also for FFG. We are of the view that since these other shareholders and Taiwan FF are not a party to the Facility and do not have access to the funds under the Facility, it is commercially justifiable that they would not be liable for FFG's (and similarly, the Group's) indebtedness under the Facility. Meanwhile, the Group has direct access to utilise the funds under the Facility, which it could use to (i) re-finance its existing bank borrowings to save on finance costs as mentioned above; and (ii) to fund its expanding business of trading activities whereby high-end CNC machine tools are purchased from European suppliers and re-sold to customers in the PRC as mentioned below. Based on the above, and in particular that (i) the Facility is entered by the Company and FFG on a joint and several basis whereby only they have access to the funds under the Facility; (ii) FFG will likewise be liable for the indebtedness of the Group under the Facility; (iii) the Facility is mutually beneficial to the Group and FFG since it would be used by both parties to finance their business needs; and (iv) given the Group's shareholding interest in FFG, FFG's business growth supported by the Facility would benefit the Group as well, we are of the view that it is fair and reasonable that each of the Group and FFG will be liable for the indebtedness incurred by the other under the Facility.

Based on our discussion with the Management and also as disclosed in previous circulars of the Group, we also understand that World Ten, Golden Friendship and Golden Wealth are investment holding companies with no substantial business operations and assets, and accordingly would not be practical to include them in the Facility to provide guarantee to FFG and the Group. Moreover, the other shareholders of FFG and Taiwan FF were not party to the Facility, and accordingly would not be liable to provide guarantee for the Facility, since they did not have any commercial need to drawdown Euro denominated loans. As advised by the Management, they would also not be willing to provide guarantee for the Facility under such circumstance. Meanwhile, we also understand from the Management that the guarantee provided by the Company, being a public and listed company, has facilitated the negotiation with the lenders of the Facility.

In respect of the specific covenants, we understand from Management that, based on (i) Mr. Chu Chih-Yaung's simultaneous shareholding interest in Taiwan FF and the Company; (ii) Mr. Chu Chih-Yaung's position as chairman and executive director of the Company and a major shareholder of Taiwan FF; and (iii) Management's discussions with Taiwan FF, Taiwan FF intends to continue to own, directly or indirectly, no less than 51% of the issued shares of the Company. Further, we also understand from Management that, based on their discussions with Taiwan FF and Leadwell (of which Taiwan FF has an approximately 15.6% shareholding interest), it is their intention, and the Company as well, to continue to invest in FFG and maintain their shareholding interest in FFG, which in aggregate, directly or indirectly, as at the Latest Practicable Date, is approximately 86.0% of the issued shares of FFG. In addition, according to our discussion with Management, we understand that the likelihood of Mr. Chu Chih-Yaung ceasing to be the chairman of the Company in the near future (such as within the next 5 years) to be relatively low based on his extensive involvement in the Group's overall strategic planning, management and business development. Furthermore, pursuant to the terms of the articles of association of FFG, any disposal of shares in FFG by its shareholders requires the unanimous consent from all shareholders; and according to the Company, there is no intention to dispose their interests in FFG in the near future. Based on the above, we are of the view that the risk of breaching the specific covenants, which would constitute an event of default of the Facility, to be low.

4. Reasons and benefits of the Facility

As mentioned in the "Letter from the Board" in the Circular, the Directors believe that the Facility would be beneficial to the future development of the Group and FFG's business.

As illustrated in the paragraph headed "2. Information of FFG" above, we note the strong financial performance of FFG in its first full financial year where revenue amounted to approximately Euro173.4 million (equivalent to approximately RMB1,196.5 million) for the year ended 31 December 2014, while net profit amounted to approximately Euro0.7 million (equivalent to approximately RMB4.8 million) for the year ended 31 December 2014. Furthermore, based on our review of the unaudited management accounts of FFG for the six months ended 30 June 2015, we note that FFG recorded revenue (on a RMB equivalent basis) which is larger than that of the Group's as disclosed in its 2015 Interim Report, which amounted to approximately RMB513.5 million. Based on the above growing trend of FFG's results, we concur with the Directors' view that FFG's financial result is indeed encouraging. Further, the Directors note FFG's plan to engage in additional sales with its existing clients, who are mainly European, and 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 pursuant to the 12th Five Year Plan by the PRC central government as discussed in the paragraph headed "1.2 Prospects of the Group" above. Accordingly, the Facility would be beneficial to FFG since it would provide it with the necessary working capital to fund its business. Meanwhile, we note that the Group will also ultimately benefit from FFG's business growth through the Group's 39% shareholding interest in FFG, which is accounted for as a share of profit/(loss) of an associate.

As mentioned in the paragraph headed "1.2 Prospects of the Group" above, since its commencement of business in the fall of 2013, FFG and its subsidiaries have been providing the Group access to renowned brands of its 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. With the growth of FFG's business as discussed above, this would most likely also lead to benefits for the Group as well. Meanwhile, the Group's continued relationship with FFG is expected to strengthen the aforementioned product diversification strategy into the high-end machine tools through leveraging FFG's research and development expertise on high-end machine tools.

Furthermore, based on our discussion with the Management, we understand that due to FFG's short operating history, even if FFG were able to obtain banking facilities from local German financial institutions, it would not likely be at competitive terms or be able to obtain loans with a principal amount which is large enough to provide meaningful support to its business. In this respect, we understand that under the joint and several borrowing arrangement between the Company and FFG, the Company and FFG together was able to secure a relatively large sum of bank borrowing at competitive terms, including interest rate, as opposed to either the Company or FFG separately attempting to borrow from financial institutions. We also understand from the Management that, based on preliminary enquiry and feedback obtained from their existing banks, (i) the existing banks are generally unable to grant further loans of a relatively large amount to the Group; and (ii) even if the existing bank were able to grant Euro denominated loans to the Group, the interest rate to be charged would not likely be lower than that currently obtained to the Group, being generally above 2.0% per annum. Given the above practical difficulties, the Group had not been able to obtain quotations for Euro denominated loans from its existing banks as comparison. We understand from the Management that even if the Group were to approach a new bank to seek quotation for a substantial amount of Euro denominated loan, given the lack of a prior banking relationship and without understanding of the Group and FFG's business, it would be unlikely to obtain quotations for any loan with terms comparable to the Facility. Given the practical commercial limitations, we concur with the Management's view that it would be unlikely to obtain quotations from other banks, and accordingly the Facility in its entirety, including terms of the interest rate, are fair and reasonable. Based on a review of the Group's existing bank facility letters, we note that currently the largest revolving loan of the Group amounts to US$15 million (equivalent to approximately Euro13.3 million). Based on the above, we are of the view that the entering into of the Facility by the Company and FFG is mutually beneficial. Moreover, with the abovementioned drawdown procedure whereby FFG is required to obtain the Group's approval before they could utilise the Facility, the arrangement under the Facility prioritises the Group's access to the full use of the Facility.

We also note that the Group carries on a business of trading activities whereby high-end CNC machine tools are purchased from European suppliers and re-sold to customers in the PRC. Such trading purchases were settled in Euro, and therefore the Facility will provide the Group a settlement channel for its payments to European suppliers, including payment in advance. Following the incorporation of the wholly-owned entity at the China (Shanghai) Pilot Free Trade Zone in 2014, whose business is mainly in exploring and selling the high-end machine tools brands of FFG to customers in PRC, the Company expects that there will be more needs to settle advance payments in Euros. Based on the above, we are of the view that the Facility, being denominated in Euro, would be able to provide the Group with a stable source of Euros to finance its trading activity and at the same time offer protection against currency exchange fluctuations of the Euro. In particular, based on our review of sales contracts of the Group, we note that the amount of high-end CNC machine tools purchased from European suppliers and re-sold to customers in the PRC for the two years ended 31 December 2013 and 2014 and the eight months ended 31 August 2015 amounted to approximately Euro5.6 million, Euro9.9 million and Euro1.3 million respectively. Up to the Latest Practical Date, the Group also has sales contracts on hand amounting to approximately Euro20.1 million relating to machine tools to be delivered by 2015 or early 2016. Based on the above growing trend, we are of the view that there is growth potential for the Group's trading business. Notwithstanding FFG will also utilise the Facility from time to time, we are of the view that the Facility will be able to enhance the Group's expanding trading activities.

Furthermore, the Company has assessed and will continue to assess the default risks of FFG taking into account, among other things, the continued operations of FFG. We agree with the Directors' view that after considering (i) though FFG has a relatively short operating history, the underlying industrial equipment business of MAG IAS GmbH owned by FFG has been long established, covering renowned machine tool brands with relatively stable operations; (ii) the experienced management personnel of FFG; and (iii) the profitability of FFG as shown by its financial results for the year ended 31 December 2014, the risk of default by FFG is low. In addition, based on the Group's board representation in FFG, we note that the Group would be able to closely monitor the business development and operation conditions of FFG, and will be aware of and be able to react to any risks of default by FFG.

Based on the reasons and analysis mentioned above, we consider that (i) the entering into of the Facility is mutually beneficial to both the Group and FFG; and (ii) the benefits of entering into the Facility, on balance, outweigh the potential risk of default by FFG, which as we have discussed above is considered to be low, and also the fact that the guarantee provided by the Group is not on a pro-rata basis to its shareholding interest in FFG. Furthermore, given that the Facility would be deployed by the Group and FFG (whereby the Company is the single largest shareholder) in their principal business, despite the provision of financial assistance to FFG is not in the ordinary and usual course of business of the Group, we are of the view that the Facility is entered into in the ordinary and usual course of business of the Group.

5. Financial position of the Group

As discussed in the paragraph headed "1.1 Information of the Group" above, the working capital of the Group was mainly financed by internal cash flows generated from its operation and its existing banking facilities. As at 30 June 2015, the Group's cash and cash equivalents and net current assets amounted to approximately RMB247.3 million and RMB449.2 million respectively. On top of that, the Group's relatively high current ratio of approximately 1.5 times as at 30 June 2015 indicates that the Group's overall financial position is strong. Furthermore, according to management accounts, as at 30 September 2015, the Group has unutilised banking facilities of approximately RMB484.4 million. Based on the abovementioned financial resources, the Management is of the view, and we concur, that the Group has sufficient resources to repay the Facility in the unlikely event of FFG's default, which could amount to a maximum of Euro50 million (equivalent to approximately RMB355.4 million).

After considering the financial position of the Group, we consider that the Group possesses the capability to offer the financial assistance and to service the loan under the Facility. Further, with access to the Euro50 million under the Facility, the Group would have more flexibility in its financial management (such as to re-finance its existing bank borrowings as mentioned in the paragraph headed "3. The Facility" above) and also be afforded with the capacity to capture any potential business opportunities in the future should they arise.

RECOMMENDATION

In summary, we note that the Group was able to secure the Facility, being an unsecured Euro denominated loan of a substantial amount, by joining with FFG (an associate of the Group through a 39% shareholding interest) on a joint and several basis. Based on the size of operation of the Group and FFG, the principal amount under the Facility is one which is large enough to provide meaningful support to both their businesses. Furthermore, based on the drawdown procedure of the Facility between the Group and FFG, the Group has priority to utilise the entire amount of the Facility. Meanwhile, where FFG also utilises the Facility, the Group will also benefit from the growth of FFG through its 39% shareholding interest in it. Accordingly, the Facility is mutually beneficial to both the Group and FFG. We also understand that in negotiating the terms of the Facility, BNP had indicated its preference to obtain guarantee from the Group due to its status as a listed company. On the other hand, the other shareholders of FFG and Taiwan FF were not party to the Facility and accordingly have not provided guarantee for the Group or FFG's indebtedness under the Facility. Based on the principal factors and reasons as discussed above, and in particular that the Facility is the only proposed bank loan presently under consideration given that the Group currently had not obtained alternative Euro denominated loans from other financial institutions, we consider that the benefits of entering into the Facility, on balance, outweigh the fact that the Group is liable to the indebtedness of FFG under the Facility notwithstanding that the Group only has a 39% shareholding interest in FFG. In view of the above, notwithstanding the non-pro-rata financial assistance provided by the Group to FFG, we consider the terms of the Facility in its entirety to be fair and reasonable.

Having considered the above principal factors and reasons, we are of the view that (i) despite the provision of financial assistance to FFG is not in the ordinary and usual course of business of the Group, the Facility is entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Facility and the transaction contemplated thereunder are on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Facility and the transaction contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Chang Sean Pey
Executive Director

*Mr. Chang Sean Pey ("**Mr. Chang**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 15 years of experience in banking, corporate finance and advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

With the exception of (i) the transaction involving the provision of financial assistance made by the Group to FFG as described in the circular of the Company dated 22 July 2014; and (ii) the transaction involving the acquisition of 25.5% equity interest in FFG as described in the circular of the Company dated 7 September 2015, Altus Capital Limited has not acted as an independent financial adviser of the Company's other transactions in the last two years from the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on this is at a market level and is not conditional upon successful passing of the resolution and that our engagement is on normal commercial terms, Altus Capital Limited is independent of the Company.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the published financial information of the Group for each of the three financial period/years ended 31 December 2012, 31 December 2013 and 31 December 2014 are disclosed in the annual reports of the Company for the financial period/years ended 31 December 2012, 31 December 2013 and 31 December 2014 respectively, all of which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.goodfriend.hk/en/home.php).

2. INDEBTEDNESS OF THE GROUP

As at the close of the business on 31 August 2015, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to printing of this circular, the Group had total outstanding borrowings of approximately RMB500,387,000. Amongst this, approximately RMB166,100,000 were secured by irrevocable standby letter of credits issued by banks in the PRC.

The Group had pledged land use rights and buildings with an aggregate carrying amount of RMB8,755,000 as at 31 August 2015 in order to secure banking facilities granted to the Group.

As at 31 August 2015, the Group had restricted bank deposits with an amount of approximately RMB194,022,000 which mainly represented deposits placed in banks for guarantees issued for finance facilities used by the Group.

On 9 July 2014, FFG and Sky Thrive entered into a guarantee procurement deed, pursuant to which Sky Thrive agreed to procure the issuance of the bank guarantees for the business operation of FFG with maximum aggregate amount not exceeding Euro10,600,000. As at 31 August 2015, Sky Thrive has arranged the aforesaid bank guarantees of total amount of Euro9,134,000.

Save as aforesaid and apart from the intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 August 2015, the Group did not have another outstanding mortgages, charges, debentures or other loan capital, bank overdrafts and loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees, or other material contingent liabilities.

3. WORKING CAPTIAL

The Directors are of the opinion that, taking into account of its existing cash and bank balances and other internal resources available, the Group will have sufficient working capital for its present requirements and for at least 12 months from the date of publication of this circular in the absence of unforeseen circumstance.

4. FINANCIAL AND TRADING PROSPECTUS OF THE GROUP

During the current financial year, the Group continued to offer high-end CNC machine tools products to the customers. These high-end products could optimise the product portfolio of the Group, and strengthen its core competitiveness. Moreover, the Group has incorporated a wholly-owned entity at the China (Shanghai) Pilot Free Trade Zone. The activities of this Shanghai entity is mainly to exploring and selling the high-end machine tools brands (including "Huller Hille") of FFG to customers in China.

China's economy came to a "new normal state". Looking ahead to the second half of the year, the economy of China will still face challenges but economic growth should be on a more balanced and sustainable track. China is the largest machine tools consuming country. It is anticipated that the demand of machine tools from the industries of high-speed railway, transit rails, aerospace, and energy in China, especially demand of those high-end CNC machine tools, would still be great. This in turn will benefit the Group's CNC machine tools business. The Group will continue to explore and sell those high-end CNC machine tools products (production of such primarily from Italy and Germany) to the customers. The management believes that with its extensive sales network and comprehensive aftersales service, solid business foundation as well as outstanding product quality, the Group is capable of meeting customers' different needs and continue to strengthen its market position.

Looking ahead, with the current complex economic environment, the Group will continue to strengthen its business foundation under a consistent cautious manner under tough market environment, in order to weather against the volatility and uncertainty of the market condition ahead. On the other hand, the management will continue to look for appropriate investing projects or acquisition activities so as to increase the competitive edge of the Group. The Group is committed to becoming an international CNC machine tools manufacturer. The management is optimistic on the long-term development prospects of the Group.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required pursuant to (a) Divisions 7 and 8 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; or (b) section 352 of the SFO, to be entered in the register required to be kept by the Company under such provision; or (c) the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange:

(a) Interests in the Company

	Number of Shares held as			
Name of Director	**Beneficial owner**	**Interest in controlled corporation**	**Total**	**Approximate percentage of shareholding**
Mr. Chu	–	20,000,000 *(Note)*	20,000,000	4.96%

Note: These Shares were held by Mr. Chu through Sunward Gold Global Investments Limited, a company held as to approximately 72.22% by Mr. Chu.

(b) Interests in the associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Number and class of securities	Approximate percentage of shareholding
Mr. Chu	Taiwan FF	Beneficial owner	15,720,255 ordinary shares	15.35%
Mr. Chu *(Note 1)*	Taiwan FF	Spouse interest	2,733,926 ordinary shares	2.67%
Mr. Chen Hsiang-Jung	Taiwan FF	Beneficial owner	1,948,553 ordinary shares	1.90%
Mr. Chu	Fair Fine (Hongzhou) Industrial Co., Ltd. *(Note 2)*	Beneficial owner	750 ordinary shares	0.03%
Mr. Chen Hsiang-Jung	Fair Fine (Hongzhou) Industrial Co., Ltd. *(Note 2)*	Beneficial owner	750 ordinary shares	0.03%

Notes:

1. Ms. Wang Tz-Ti (formerly known as Wang Jin-Zu) ("**Ms. Wang**"), the spouse of Mr. Chu, held 2.67% of the issued share capital of Taiwan FF. Mr. Chu was deemed to be interested in all the shares held by Ms. Wang in Taiwan FF under the SFO.

2. These companies are non-wholly-owned subsidiaries of Taiwan FF and are therefore associated corporations of the Company for the purpose of the SFO.

All interests disclosed above represent long positions in the relevant ordinary shares of the associated corporations.

Save as disclosed above, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

(c) Interests in contracts and assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which did not expire or was not determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

Save that Mr. Chu and Mr. Chen Hsiang-Jung have interests, as disclosed in the section headed "2. Interests of Directors" in this Appendix, in Taiwan FF and its subsidiaries which may engage in businesses similar to the Group, such as the manufacturing and sales of CNC machine tools, in markets other than the markets in the PRC, Hong Kong and Macau where the Group has exclusive rights to serve pursuant to the deed of non-competition dated 22 December 2005 entered into between Taiwan FF, Hong Kong GF and Mr. Chu, none of the Directors or their respective associates was considered to have any interest in a business which competed or may compete with the business of the Group as at the Latest Practicable Date.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were of the view that there was no material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened by or against any member of the Group.

7. MATERIAL CONTRACTS

Save and except the transactions disclosed below, there are no material contracts (being contracts entered outside the ordinary course of business carried on or intended to be carried on by the Group) having been entered into by any member of the Group within the two years preceding the Latest Practicable Date:

(a) the guarantee procurement deed dated 9 July 2014 entered into between Sky Thrive and FFG, pursuant to which Sky Thrive had agreed to procure the issuance of bank guarantees for FFG business operation;

(b) a sale and purchase agreement dated 17 August 2015 entered into among Sky Thrive, Golden Friendship and World Ten pursuant to which Sky Thrive agreed to acquire from Golden Friendship and World Ten an aggregate of approximately 25.5% equity interest in FFG for the aggregate consideration of Euro 2,340,000; and

(c) the Engagement Letter.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualifications
Altus Capital Limited	a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, Altus Capital was not beneficially interested in the share capital of any member of the Group, nor had any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Altus Capital did not have any direct or indirect interest in any asset which had been, since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Altus Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 28 October 2015 (as set out on pages 13 to 33 of and made for incorporation in this circular) and references to its name in the form and context in which they respectively appear.

9. DOCUMENT AVAILABLE FOR INSPECTION

Copy of the following documents will be available for inspection during normal business hours on any weekday (public holidays excepted) at the office at Room 2003, 20th Floor, Kai Tak Commercial Building, 317-319 Des Vouex Road Central, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM:

(a) the Engagement Letter;

(b) the letter from the Independent Board Committee to the Independent Shareholders dated 28 October 2015, the full text of which is set out on page 12 of this circular;

(c) the letter from Altus Capital to the Independent Board Committee and the Independent Shareholders dated 28 October 2015, the full text of which is set out on pages 13 to 33 of this circular;

(d) the written consent of Altus Capital referred to in the paragraph headed "Expert and Consent" in this Appendix;

(e) the articles of association of the Company;

(f) the material contracts referred to in the section headed "Material Contracts" in this Appendix;

(g) the annual reports of the Company for the two financial years ended 31st December 2013 and 2014;

(h) the circular dated 7 September 2015 in relation to the acquisition of 25.5% equity interest in FFG; and

(i) this circular.

10. GENERAL

(a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The share registrar of the Company is Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The company secretary of the Company is Mr. Lo Tai On, who is an associate member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

(d) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Good Friend International Holdings Inc. (the "**Company**") will be held at 10:00 a.m. on Friday, 13 November 2015 at 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing with or without modifications the following as an ordinary resolution of the Company:–

ORDINARY RESOLUTION

"**THAT**:–

(a) the entering into of the engagement letter dated 25 September 2015 (the "**Engagement Letter**") (a copy of which marked "A" has been produced to the Meeting and initialed by the chairman of the Meeting for identification purpose) by the Company and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified, subject to such addition or amendment as any director(s) or authorised person(s) of the Company may consider necessary, desirable or appropriate;

(b) any director(s) or authorised person(s) of the Company be and are hereby authorised for and on behalf of the Company to, amongst others, sign, execute and deliver or to authorise the signing, execution and delivery of all such documents and deeds as such director(s) or authorised person(s) may consider necessary, expedient or desirable to give effect to or otherwise in connection with the Engagement Letter and any ancillary documentation and transaction thereof."

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

Hong Kong, 28 October 2015

Principal Place of Business in Hong Kong
Room 2003, 20th Floor
Kai Tak Commercial Building
317-319 Des Voeux Road Central
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or, if he holds two or more shares, more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

3. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting or any adjournment thereof if the shareholder of the Company so desires, and in such event, the form of proxy will be deemed to be revoked.

4. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holders, seniority being determined by the order in which names stand in the register of members.

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