

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

CONTINUING CONNECTED TRANSACTIONS

(1) RENEWAL OF FRAMEWORK AGREEMENT

FOR THE PURCHASE AND SUPPLY OF CKD COMPONENTS

(2) RENEWAL OF EXCLUSIVE FRAMEWORK AGREEMENT

FOR THE PURCHASE OF DESIGNATED CNC MACHINE TOOLS

The Board is pleased to announce that, on 10 July 2020, the Company and Taiwan FF entered into a conditional CKD Components Agreement, pursuant to which (i) the Company's (or the CKD Components Supplier designated by the Company) may supply CKD Components to Taiwan FF (or the CKD Components Purchaser designated by Taiwan FF) for the production of CNC Machine Tools on a non-exclusive basis and (ii) Taiwan FF (or the CKD Components Supplier designated by Taiwan FF) may supply CKD Components to the Company (or the CKD Components Purchaser designated by the Company) for the production of CNC Machine Tools on a non-exclusive basis, for a period of three years commencing from the Effective Date. Furthermore, on 10 July 2020, the Company and Taiwan FF entered into a conditional CNC Machine Tools Agreement, pursuant to which the CNC Machine Tools Purchaser may purchase from the CNC Machine Tools Seller, which shall, upon receiving the former's request, sell the Designated CNC Machine Tools to it on an exclusive basis, for a period of three years commencing from the Effective Date. Pursuant to the CNC Machine Tools Agreement, the CNC Machine Tools Purchaser has the right to sell such Designated CNC Machine Tools in the Sales Region on an exclusive basis, and the CNC Machine Tools Seller shall authorize the CNC Machine Tools Purchaser to sell such Designated CNC Machine Tools in the Sales Region on an exclusive basis.

Taiwan FF is an associate of Hong Kong GF, the controlling shareholder of the Company, and therefore, Taiwan FF is a connected person of the Company under the Listing Rules. The Transactions under the Agreements will be carried out in the ordinary and usual course of business of the Group and are expected to continue and extend over a period of time. The Transactions therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As both Agreements are entered into by the Company with Taiwan FF, the continuing connected transactions contemplated under the CKD Components Agreement and the CNC Machine Tools Agreement will be aggregated for consideration under the Listing Rules and will be classified according to the larger of the supply transaction or the procurement transactions. For the supply transaction with Taiwan FF under the CKD Components Agreement, the highest applicable percentage ratio based on the Proposed Annual Caps thereof is less than 5%. For the two procurement transactions with Taiwan FF under the Agreements, the highest applicable percentage ratio based on the Proposed Annual Caps thereof, on an aggregated basis, exceeds 25% with an annual consideration of over HK\$10 million, which are larger than the supply transaction. Accordingly, the Transactions under the Agreements will be classified according to the higher applicable percentage ratio of the procurement transactions, and all of the Agreements, the Transactions and the Proposed Annual Caps thereunder will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Hong Kong GF, Sunward Gold Global Investments Limited (a company held as to approximately 72.22% by Mr. Chu) and any of their respective associates will abstain from voting in relation to the resolutions approving the Agreements, the Transactions and the Proposed Annual Caps thereunder at the EGM.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the terms of the Agreements, the Transactions and the Proposed Annual Caps thereunder. Altus Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in this respect.

A circular containing, among others, details of (i) the terms of the Agreements, the Transactions and the Proposed Annual Caps thereunder; (ii) the respective letters of advice from the Independent Board Committee and Altus Capital Limited; and (iii) a notice convening the EGM is expected to be despatched to the Shareholders on or before 31 July 2020.

Background

Reference is made to the announcement dated 26 May 2017 and the circular dated 27 June 2017 of the Company respectively in relation to, among others, the continuing connected transactions under the Former CKD Components Agreement for the purchase and supply of CKD Components between the Company (or persons designated by the Company) and Taiwan FF (or persons designated by Taiwan FF) and the Former CNC Machine Tools Agreement for the exclusive sale of CNC Machine Tools by Taiwan FF (or persons designated by Taiwan FF) to the Company (or persons designated by the Company), and the rights to exclusive sale of Designated CNC Machine Tools by the Company (or persons designated by the Company) in the Sales Region, both entered into between the Company and Taiwan FF on 26 May 2017 respectively. The Former CKD Components Agreement and the Former CNC Machine Tools Agreement will both expire on 12 July 2020. As the Company and Taiwan FF intend to continue to carry out the relevant transactions, the CKD Components Agreement and the CNC Machine Tools Agreement were entered into on 10 July 2020 to renew the above arrangements.

THE AGREEMENTS

(1) CKD COMPONENTS AGREEMENT

Date:

10 July 2020

Parties:

- (1) The Company; and
- (2) Taiwan FF

Summary of principal terms:

(A) *Condition precedent*

The CKD Components Agreement is subject to and conditional upon the approval of the CKD Components Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps by the Independent Shareholders at the EGM in accordance with the Listing Rules.

In case where the condition precedent cannot be fulfilled on or before 31 August 2020 (or a later date as agreed between the Company and Taiwan FF), the CKD Components Agreement shall be terminated, and, except in relation to any default occurred prior to such termination, none of the parties shall have any rights or remedies against the other thereunder.

(B) Term of the CKD Components Agreement

The CKD Components Agreement is for a term of three years commencing from the Effective Date unless (i) earlier terminated by either party by providing to the other party with two months' prior termination notice provided that such termination notice shall not be given within the six months prior to the expiry of the term of the CKD Components Agreement; and (ii) in case a party is in breach of any provision of the CKD Components Agreement, and fails to remedy such breach within a reasonable grace period allowed by the non-defaulting party as stipulated under the written notice of such breach given by the non-defaulting party, the latter may terminate the CKD Components Agreement or any Transactions thereunder, without prejudice to its rights to other compensations and legal remedies.

(C) Details of the Transactions under the CKD Components Agreement

(a) Supply of CKD Components to Taiwan FF (or the CKD Components Purchaser designated by Taiwan FF)

Pursuant to the terms of the CKD Components Agreement, the Company (or the CKD Components Supplier designated by the Company) may supply CKD Components to Taiwan FF (or the CKD Components Purchaser designated by Taiwan FF) for the production of CNC Machine Tools on a non-exclusive basis.

The CKD Components to be supplied by the Company (or the CKD Components Supplier designated by the Company) to Taiwan FF (or the CKD Components Purchaser designated by Taiwan FF) under the CKD Components Agreement will mainly be castings, including the counter balance, etc., which form the outer surface of the CNC Machine Tools.

(b) Purchase of CKD Components from Taiwan FF (or the CKD Components Supplier designated by Taiwan FF)

Pursuant to the terms of the CKD Components Agreement, Taiwan FF (or the CKD Components Supplier designated by Taiwan FF) may supply CKD Components to the Company (or the CKD Components Purchaser designated by the Company) for the production of the CNC Machine Tools on a non-exclusive basis.

The CKD Components proposed to be sourced from and those proposed to be sold to Taiwan FF (or the CKD Components Supplier and/or the CKD Components Purchaser designated by Taiwan FF) are of different types. The CKD Components to be supplied by Taiwan FF (or the CKD Components Supplier designated by Taiwan FF) to the Company (or the CKD Components Purchaser designated by the Company) under the CKD Components Agreement mainly comprise the integral components and parts of the CNC Machine Tools including spindle head and table.

The Company may designate any members of the Group or controlled associates of the Company and Taiwan FF may designate any members of the Taiwan FF Group or controlled associates of Taiwan FF as the CKD Components Purchaser or the CKD Components Supplier to perform and shall procure those parties to perform the Transactions under the CKD Components Agreement in accordance with its terms. The Company and Taiwan FF shall undertake and be responsible for the performance of any such Transactions entered into by its respective designated parties. The Company or Taiwan FF shall obtain the prior written consent of the other party if the designated parties are non-members of the Group or of the Taiwan FF Group. The Company (or its designated CKD Components Purchaser and/or the CKD Components Supplier) shall have the sole discretion to determine, according to actual circumstances, whether to source from or supply to Taiwan FF (or its designated CKD Components Supplier and/or the CKD Components Purchaser) any CKD Components or the quantity of which to be so sourced or supplied.

(D) Delivery and payment arrangements

For the purpose of any Transaction under the CKD Components Agreement, the CKD Components Purchaser shall send a purchase notice to the CKD Components Supplier specifying, among others, the quantity and delivery time of the CKD Components required 90 days prior to the requested delivery date. Upon receipt of the purchase notice, the CKD Components Supplier shall issue a price quotation to the CKD Components Purchaser, which shall conform with the pricing policies as agreed under the CKD Components Agreement, within 7 days. The price quotation will become effective and binding only upon the written confirmation of the CKD Components Purchaser. All Transactions under the CKD Components Agreement shall be made in accordance with the terms of the CKD Components Agreement and the aforesaid price quotation. Where there are conflicts between the terms of the CKD Components Agreement and the terms of the price quotation, the former shall prevail. The CKD Components Purchaser shall settle the relevant payment for the CKD Components within 30 days after receipt of the relevant CKD Components or within a longer period as specified under the individual price quotation, by telegraphic transfer or other methods as agreed by the CKD Component Purchaser and CKD Component Supplier or as specified under the individual price quotation.

(E) Price determination

The price of the CKD Components to be purchased and supplied under the CKD Components Agreement is to be determined by reference to:

- (i) the price quotation for the same type of CKD Components (to be updated quarterly during the term of the CKD Components Agreement, or to be updated in other reasonable intervals as agreed between the Company and Taiwan FF) publicly provided by the CKD Components Supplier to its third party customers independent of the CKD Components Supplier; or
- (ii) in the event that the CKD Components Supplier is unable to determine the price quotation of the CKD Components on the basis stipulated in (i) above for any reason, the reasonable costs incurred by the CKD Components Supplier in producing the relevant CKD Components plus the sales margin adjusted or determined with reference to (a) or (b) below:
 - (a) the historical price quotation of the same type of CKD Components previously provided by the CKD Components Supplier to its third party customers independent of the CKD Components Supplier; or
 - (b) failing (a) above, the price quotation of similar CKD Components offered by third party manufacturers independent of the CKD Components Supplier;

provided that reasonable adjustments may be made to such price quotation taking into account factors including the difference in the sales region of the CKD Components, whether aftersales services would be provided and whether discounts would be offered due to increase in sales volume.

For the avoidance of doubt, the Company and the CKD Components Purchaser or the CKD Components Supplier designated by the Company will only purchase or supply the relevant CKD Components from Taiwan FF and the CKD Components Suppliers or CKD Components Purchasers designated by Taiwan FF on terms no less favourable to the Group than those which the Group would have obtained from independent third party suppliers or purchasers. The Company and the CKD Components Purchaser designated by the Company will not confirm any price quotation which does not meet such criteria.

Historical transaction amounts and Proposed Annual Caps

The historical transaction amounts in respect of the purchase and supply of CKD Components between the Company (or persons designated by the Company) and Taiwan FF (or persons designated by Taiwan FF) under the Former CKD Components Agreement were as follows (in RMB million):

Relevant financial periods	Historical transaction amounts			
	13 July 2017 to 31 December 2017	1 January 2018 to 31 December 2018	1 January 2019 to 31 December 2019	1 January 2020 to 31 May 2020
For the purpose of supplying CKD Components to Taiwan FF (or persons designated by Taiwan FF)	0.107	0.718	–	0.254
For the purpose of purchasing CKD Components from Taiwan FF (or persons designated by Taiwan FF)	27.331	60.786	38.609	10.915

During the term of the CKD Components Agreement, it is projected that the annual aggregate amounts receivable and payable by the Company (or persons designated by the Company), as appropriate, shall not exceed the Proposed Annual Caps in respect of each of the relevant financial periods, the details of which are as follows (in RMB million):

Relevant financial periods	Projected Proposed Annual Caps			
	Effective Date to 31 December 2020	1 January 2021 to 31 December 2021	1 January 2022 to 31 December 2022	1 January 2023 to 3 years from the Effective Date
For the purpose of supplying CKD Components to Taiwan FF (or persons designated by Taiwan FF)	1.075	2.225	2.400	1.250
For the purpose of purchasing CKD Components from Taiwan FF (or persons designated by Taiwan FF)	28.627	58.840	61.968	31.757

Basis of determining the Proposed Annual Caps

Each of the projected Proposed Annual Caps in relation to the Transactions under the CKD Components Agreement was determined after taking into account factors including the following:

- (i) the Group's view on the positive market outlook of the CNC Machine Tools industry;
 - CKD Components are the major components required to assemble and manufacture CNC Machine Tools. The Group anticipates that the demand for CNC Machine Tools would increase during the term of the CKD Components Agreement.
- (ii) the potential fluctuations in the estimated costs of purchasing CKD Components;
- (iii) the projected breakdown of orders for CKD Components from Taiwan FF (or persons designated by Taiwan FF) for each of the 3 years commencing from the Effective Date; and
- (iv) in respect of the Proposed Annual Caps for the provision of CKD Components to Taiwan FF (or the CKD Components Purchaser designated by Taiwan FF) by the Company (or the CKD Components Supplier designated by the Company), the production capacity of the Company (or the CKD Components Supplier designated by the Company).

The consideration payable by the Group will be settled through the internal resources of the Group.

Reasons for and benefits of entering into the CKD Components Agreement

The Directors (other than the independent non-executive Directors whose views will be provided after taking into account the views of the independent financial adviser) consider that the entering into of the CKD Components Agreement provides the Group with an alternative source of CKD Components and an additional income source, and that (i) the terms of the CKD Components Agreement and the Transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms and no less favourable to the Group than those of independent third parties, and (ii) the terms of the CKD Components Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Internal control measures

To ensure that the Transactions contemplated under the CKD Components Agreement will be conducted in accordance with the terms of the CKD Components Agreement, on normal commercial terms or better, and in accordance with the pricing policy of the Company, the Group has adopted the following internal control measures to monitor the Transactions contemplated under the CKD Components Agreement:

A selection committee comprising, among others, staff from planning and production department, has been set up by the Company to identify and recommend suitable suppliers of CKD Components. As part of the selection process, when the Group procures CKD Components, at least two quotations will be sought from independent third party manufacturers for comparison and only the quotation with the most favourable terms will be selected. Whereas for supply transactions, the Group's sales team will make sure that the selling prices for the CKD Components are determined in accordance with the Company's pricing policy and also make reference to the market price offered by industry counterparts for similar type of products.

In addition, all individual contracts for the sale and purchase of the CKD Components will be notified to the finance department of the Group, which keeps a record of connected party transactions and controls the amount of such transactions. Periodic inspections of the internal control system of the Group will also be conducted by the management of the Company to ensure that the Transactions conducted under the CKD Components Agreement will be conducted in accordance with the terms of the CKD Components Agreement, on normal commercial terms or better, and in accordance with the pricing policy of the Company.

(2) CNC MACHINE TOOLS AGREEMENT

Date:

10 July 2020

Parties:

- (1) The Company; and
- (2) Taiwan FF

Summary of principal terms:

(A) Condition precedent

The CNC Machine Tools Agreement is subject to and conditional upon the approval of the CNC Machine Tools Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps by the Independent Shareholders at the EGM in accordance with the Listing Rules.

In case where the condition precedent cannot be fulfilled on or before 31 August 2020 (or a later date as agreed between the Company and Taiwan FF), the CNC Machine Tools Agreement shall be terminated, and, except in relation to any default occurred prior to such termination, none of the parties shall have any rights or remedies against the other thereunder.

(B) Term of the CNC Machine Tools Agreement

The CNC Machine Tools Agreement is for a term of three years commencing from the Effective Date unless (i) earlier terminated by either party by providing to the other party with two months' prior termination notice provided that such termination notice shall not be given within the six months prior to the expiry of the term of the CNC Machine Tools Agreement, and (ii) in case a party is in breach of any provision of the CNC Machine Tools Agreement, and fails to remedy such breach within a reasonable grace period allowed by the non-defaulting party as stipulated under the written notice of such breach given by the non-defaulting party, the latter may terminate the CNC Machine Tools Agreement or any Transactions thereunder, without prejudice to its rights to other compensations and legal remedies.

(C) Details of the Transactions under the CNC Machine Tools Agreement

Pursuant to the terms of the CNC Machine Tools Agreement, the CNC Machine Tools Purchaser may purchase from the CNC Machine Tools Seller, which shall, upon receiving the former's request, sell the Designated CNC Machine Tools to it on an exclusive basis. Further, the CNC Machine Tools Purchaser has the right to sell such Designated CNC Machine Tools in the Sales Region on an exclusive basis, and the CNC Machine Tools Seller shall authorize the CNC Machine Tools Purchaser to sell such Designated CNC Machine Tools in the Sales Region on an exclusive basis.

The Company may designate any members of the Group or controlled associates of the Company as the CNC Machine Tools Purchaser, and Taiwan FF may designate any members of Taiwan FF Group or controlled associates of Taiwan FF as the CNC Machine Tools Seller to perform and shall procure those parties to perform the Transactions under the CNC Machine Tools Agreement in accordance with its terms. The Company and Taiwan FF shall undertake and be responsible for the performance of any such Transactions entered into by its respective designated parties. The Company or Taiwan FF shall obtain the prior written consent of the other party if the designated parties are non-members of the Group or of the Taiwan FF Group. The Company (or its designated CNC Machine Tools Purchaser) shall have the sole discretion to determine, according to actual circumstances, whether to source from Taiwan FF (or its designated CNC Machine Tools Supplier) any CNC Machine Tools or the quantity of which to be so sourced.

(D) Delivery and payment arrangements

For the purpose of any Transactions under the CNC Machine Tools Agreement, the CNC Machine Tools Purchaser shall send the purchase notice to the CNC Machine Tools Seller specifying, among others, the quantity and delivery time of the Designated CNC Machine Tools required 90 days prior to the requested delivery date. Upon receipt of the purchase notice, the CNC Machine Tools Seller shall issue a price quotation to the CNC Machine Tools Purchaser, which shall conform with the pricing policies as agreed under the CNC Machine Tools Agreement, within 7 days. The price quotation will become effective and binding only upon the written confirmation of the CNC Machine Tools Purchaser. All Transactions under the CNC Machine Tools Agreement shall be made in accordance with the terms of the CNC Machine Tools Agreement and the aforesaid price quotation. Where there are conflicts between the terms of the CNC Machine Tools Agreement and the terms of the price quotation, the former shall prevail. The CNC Machine Tools Purchaser shall settle 90% of the relevant payment for the Designated CNC Machine Tools before delivery of the same, with the remaining 10% to be settled after completion of inspection of the relevant Designated CNC Machine Tools by the CNC Machine Tools Purchaser (but in any event no later than 6 months after the relevant Designated CNC Machine Tools arrived at the port designated by the CNC Machine Tools Purchaser) by telegraphic transfer or other methods as agreed by the CNC Machine Tools Purchaser and CNC Machine Tools Supplier or as specified under the individual price quotation.

(E) Price determination

The price of the Designated CNC Machine Tools to be purchased by the CNC Machine Tools Purchaser under the CNC Machine Tools Agreement is to be determined by reference to:

- (i) the price quotation for the same type of Designated CNC Machine Tools (to be updated quarterly during the term of the CNC Machine Tools Agreement, or to be updated in other reasonable intervals as agreed between the Company and Taiwan FF) publicly provided by the CNC Machine Tools Seller to its third party customers independent of the CNC Machine Tools Seller; or
- (ii) in the event that the CNC Machine Tools Seller is unable to determine the price quotation of the Designated CNC Machine Tools on the basis stipulated in (i) above for any reason, the reasonable costs incurred by the CNC Machine Tools Seller in producing the relevant Designated CNC Machine Tools plus the sales margin adjusted or determined with reference to (a) or (b) below:
 - (a) the historical price quotation of the same type of Designed CNC Machine Tools previously provided by the CNC Machine Tools Seller to its third party customers independent of the CNC Machine Tools Seller; or
 - (b) failing (a) above, the price quotation of similar Designated CNC Machine Tools offered by third party manufacturers independent of the CNC Machine Tools Seller;

provided that reasonable adjustments may be made to such price quotation taking into account factors including the difference in the sales region of the Designated CNC Machine Tools, whether aftersales services would be provided and whether discounts would be offered due to increase in sales volume.

For the avoidance of doubt, the CNC Machine Tools Purchaser will only purchase the relevant Designated CNC Machine Tools from the CNC Machine Tools Sellers on terms no less favourable to the Group than those which the Group would have obtained from independent third party manufacturers. The CNC Machine Tools Purchaser will not confirm any price quotation which does not meet such criteria.

(F) Others

Taiwan FF has agreed that:

- (i) any Designated CNC Machine Tools requested and purchased by the CNC Machine Tools Purchaser from the CNC Machine Tools Seller under the CNC Machine Tools Agreement are to be sold under the designated brands owned or permitted to be used by the Group from time to time;
- (ii) where the CNC Machine Tools Seller has sufficient production capacity, it will assist the CNC Machine Tools Purchaser by producing and supplying other CNC Machine Tools (not being specified under the CNC Machine Tools Agreement on the date of signing of the CNC Machine Tools Agreement) to the CNC Machine Tools Purchaser in accordance with the reasonable instructions and designated production specifications provided by the CNC Machine Tools Purchaser, for the purpose of sale by the CNC Machine Tools Purchaser of such CNC Machine Tools to the Sales Region. However, the CNC Machine Tools Purchaser shall only request the CNC Machine Tools Seller to produce such CNC Machine Tools specified under this provision on its behalf in case where the CNC Machine Tools Purchaser reasonably considers that the capacity of its own production of the relevant CNC Machine Tools is insufficient or requesting the CNC Machine Tools Seller to produce the same on its behalf is more beneficial to the CNC Machine Tools Purchaser;
- (iii) the CNC Machine Tools Purchaser is entitled to request the CNC Machine Tools Seller to supply the CNC Machine Tools Purchaser with any other CNC Machine Tools sold by the CNC Machine Tools Seller (not being specified under the CNC Machine Tools Agreement on the date of signing of the CNC Machine Tools Agreement) for the purpose of sale by the CNC Machine Tools Purchaser of such CNC Machine Tools in the Sales Region. Taiwan FF shall use its best endeavour to procure the supply of such CNC Machine Tools by the CNC Machine Tools Seller to the CNC Machine Tools Purchaser in accordance with the terms of the CNC Machine Tools Agreement, and the CNC Machine Tools Purchaser shall have priority in acquiring such CNC Machine Tools from the CNC Machine Tools Seller over other customers of the CNC Machine Tools Seller. However, the CNC Machine Tools Purchaser shall only purchase such CNC Machine Tools specified under this provision in case where the CNC Machine Tools Purchaser reasonably considers that the capacity of its own production of the relevant CNC Machine Tools is insufficient or requesting the CNC Machine Tools Seller to supply the same is more beneficial to the CNC Machine Tools Purchaser;

- (iv) the CNC Machine Tools Seller will not at any time supply or sell any Designated CNC Machine Tools to any parties within the Sales Region other than the CNC Machine Tools Purchaser. In the event that the CNC Machine Tools Seller receives requests from any parties other than the CNC Machine Tools Purchaser for the CNC Machine Tools Seller to supply or sell any Designated CNC Machine Tools in the Sales Region, Taiwan FF shall notify and procure the CNC Machine Tools Seller to notify the CNC Machine Tools Purchaser. The CNC Machine Tools Seller shall not enter into or agree to any supply or sales arrangements or agreements in respect of these sales requests. The CNC Machine Tools Purchaser is entitled to request and Taiwan FF shall procure the CNC Machine Tools Seller to notify the parties which intend to purchase the Designated CNC Machine Tools in the Sales Region to consider purchasing such CNC Machine Tools from the CNC Machine Tools Purchaser directly. This undertaking will continue in effect after the termination of the CNC Machine Tools Agreement; and
- (v) for the avoidance of doubt, the CNC Machine Tools Seller shall not request, require, direct, induce or compel the CNC Machine Tools Purchaser to purchase any Designated CNC Machine Tools from it by any means, and the CNC Machine Tools Seller shall supply the Designated CNC Machine Tools to the CNC Machine Tools Purchaser only upon the receipt of purchase notices issued by the CNC Machine Tools Purchaser under the CNC Machine Tools Agreement.

Historical transaction amounts and Proposed Annual Caps

The historical transaction amounts in respect of the purchase of the Designated CNC Machine Tools between the CNC Machine Tools Purchaser and the CNC Machine Tools Seller under the Former CNC Machine Tools Agreement were as follows (in RMB million):

	13 July 2017 to 31 December 2017	1 January 2018 to 31 December 2018	1 January 2019 to 31 December 2019	1 January 2020 to 31 May 2020
Relevant financial periods				
Historical transaction amounts	31.206	20.301	5.781	28.537

During the term of the CNC Machine Tools Agreement, it is projected that the annual aggregate amounts payable by the CNC Machine Tools Purchaser shall not exceed the Proposed Annual Caps in respect of each of the relevant financial periods, the details of which are as follows (in RMB million):

Relevant financial periods	Effective Date to 31 December 2020	1 January 2021 to 31 December 2021	1 January 2022 to 31 December 2022	1 January 2023 to 3 years from the Effective Date
Projected Proposed Annual Caps	40.000	90.000	112.500	62.500

Basis of determining the Proposed Annual Caps

Each of the projected Proposed Annual Caps in relation to the Transactions under the CNC Machine Tools Agreement was determined after taking into account factors that include the following:

- (i) the Group’s view on the positive market outlook of the Designated CNC Machine Tools industry during the term of the CNC Machine Tools Agreement. The Group anticipates that the PRC will continue to be the largest machine tools consuming country and the demand of machine tools would increase during the term of the CNC Machine Tools Agreement; and
- (ii) the potential fluctuations in the estimated costs of producing the Designated CNC Machine Tools.

The consideration payable by the Group will be settled through the internal resources of the Group.

Reasons for and benefits of entering into the CNC Machine Tools Agreement

The Directors (other than the independent non-executive Directors whose views will be provided after taking into account the views of the independent financial adviser) consider that the entering into of the CNC Machine Tools Agreement provides the Group with an alternative source of CNC Machine Tools and may enlarge the Group’s customer base in the Sales Region. The Group will have the choice of sourcing under the CNC Machine Tools Agreement or from other third party suppliers in accordance with its procurement procedures. Under the CNC Machine Tools Agreement, CNC Machine Tools Seller can only supply CNC Machine Tools to the CNC Machine Tools Purchasers at the CNC Machine Tools Purchaser’s request and shall not approach any customers in the Sales Region directly.

Save for the independent non-executive Directors whose views will be provided after taking into account the views of the independent financial adviser, the Directors consider that (i) the terms of the CNC Machine Tools Agreement and the Transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms and no less favourable to the Group than those of independent third parties, and (ii) the terms of the CNC Machine Tools Agreement, the Transactions contemplated thereunder and the corresponding Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Internal control measures

To ensure that the Transactions contemplated under the CNC Machine Tools Agreement will be conducted in accordance with the terms of the CNC Machine Tools Agreement, on normal commercial terms or better, and in accordance with the pricing policy of the Company, the Group has adopted the following internal control measures to monitor the Transactions contemplated under the CNC Machine Tools Agreement:

When there is a need to purchase CNC Machine Tools, a committee comprising, among others, experienced staff from the sales teams and the production department, will identify and recommend suitable suppliers, and evaluate the price quotation issued by the CNC Machine Tools Seller. Wherever practicable, at least two quotations will be sought from independent third party manufacturers for comparison and only the quotation with the most favourable terms will be selected. Where no relevant quotations can be obtained from independent third party manufacturers, the quotation from CNC Machine Tools Seller will be evaluated against information for the same type of CNC Machine Tools sold by the CNC Machine Tools Seller to its independent third party customers and/or historical purchases of comparable CNC Machine Tools for which independent quotations were obtained.

In addition, all individual contracts for the sale and purchase of the CNC Machine Tools will be notified to the finance department of the Group, which keeps a record of connected party transactions and controls the amount of such transactions. Periodic inspections of the internal control system of the Group will also be conducted by the management of the Company to ensure that the Transactions conducted under the CNC Machine Tools Agreement will be conducted in accordance with the terms of the CNC Machine Tools Agreement, on normal commercial terms or better, and in accordance with the pricing policy of the Company.

INFORMATION ON THE GROUP AND TAIWAN FF GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the design and production of CNC Machine Tools, design and construction of three-dimensional car parking garage structures and design and assembling of forklift trucks.

Taiwan FF Group is a conglomerate in Taiwan and has investments in a wide range of businesses such as the production of CNC Machine Tools, three-dimensional car parking garage structures, electric forklift trucks, construction machinery, power tools, elevators, door drums, printed circuit boards, aviation parts, conducting pastes for solar cell, laser equipment for solar cell, magnesium alloy machining, testing equipment for PCB touch-sensing panels and testing equipment for semiconductor LED wafer.

LISTING RULES IMPLICATIONS

Taiwan FF is an associate of Hong Kong GF, the controlling shareholder of the Company, and therefore, Taiwan FF is a connected person of the Company under the Listing Rules. The Transactions under the Agreements will be carried out in the ordinary and usual course of business of the Group and are expected to continue and extend over a period of time. The Transactions therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As both Agreements are entered into by the Company with Taiwan FF, the continuing connected transactions contemplated under the CKD Components Agreement and the CNC Machine Tools Agreement will be aggregated for consideration under the Listing Rules and will be classified according to the larger of the supply transaction or the procurement transactions. For the supply transaction with Taiwan FF under the CKD Components Agreement, the highest applicable percentage ratio based on the Proposed Annual Caps thereof is less than 5%. For the two procurement transactions with Taiwan FF under the Agreements, the highest applicable percentage ratio based on the Proposed Annual Caps thereof, on an aggregated basis, exceeds 25% with an annual consideration of over HK\$10 million, which are larger than the supply transaction. Accordingly, the Transactions under the Agreements will be classified according to the higher applicable percentage ratio of the procurement transactions, and all of the Agreements, the Transactions and the Proposed Annual Caps thereunder will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Hong Kong GF, Sunward Gold Global Investments Limited (a company held as to approximately 72.22% by Mr. Chu) and any of their respective associates will abstain from voting in relation to the resolutions approving the Agreements, the Transactions and the Proposed Annual Caps thereunder at the EGM.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the terms of the Agreements, the Transactions and the Proposed Annual Caps thereunder. Altus Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in this respect.

A circular containing, among others, details of (i) the terms of the Agreements, the Transactions and the Proposed Annual Caps thereunder; (ii) the respective letters of advice from the Independent Board Committee and Altus Capital Limited; and (iii) a notice convening the EGM is expected to be despatched to the Shareholders on or before 31 July 2020.

DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following terms shall have the meanings set out below:

“Agreements”	the CKD Components Agreement and the CNC Machine Tools Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	means the board of Directors
“CKD Components”	CKD is the short form and acronym for Complete Knock Down, and CKD components are the major components required to assemble and manufacture CNC Machine Tools
“CKD Components Agreement”	the conditional framework agreement entered into between the Company and Taiwan FF on 10 July 2020, in relation to the purchase and supply of CKD Components between the Company (or CKD Components Purchaser and/or CKD Components Supplier designated by the Company) and Taiwan FF (or CKD Components Purchaser and/or CKD Components Supplier designated by Taiwan FF) for a period of three years commencing from the Effective Date
“CKD Components Purchaser(s)”	the purchaser(s) designated by the Company or Taiwan FF (as the case may be) to purchase CKD Components under the CKD Components Agreement, which may be any member(s) of the Group or the Taiwan FF Group (as the case may be), or controlled associate(s) of the Company or Taiwan FF (as the case may be) if with the written consent of the other party
“CKD Components Supplier(s)”	the supplier(s) designated by the Company or Taiwan FF (as the case may be) to supply CKD Components under the CKD Components Agreement, which may be any member(s) of the Group or the Taiwan FF Group (as the case may be), or controlled associate(s) of the Company or Taiwan FF (as the case may be) if with the written consent of the other party

“CNC Machine Tools”	CNC is the short form and acronym for Computer Numerical Control, a numerical control and computer storage system that utilizes a dedicated, storage-program computer and has the functions to perform some or all of the basic numerical control; CNC Machine Tools refer to those machine tools with CNC systems installed
“CNC Machine Tools Agreement”	the conditional framework agreement entered into between the Company and Taiwan FF on 10 July 2020, in relation to the exclusive sale of Designated CNC Machine Tools by the CNC Machine Tools Seller to the CNC Machine Tools Purchaser, and the rights to exclusive sale of Designated CNC Machine Tools by the CNC Machine Tools Purchaser in the Sales Region for a period of three years commencing from the Effective Date
“CNC Machine Tools Purchaser(s)”	the Company and/or the purchaser(s) designated by the Company to purchase Designated CNC Machine Tools under the CNC Machine Tools Agreement, which may be any member(s) of the Group, or controlled associate(s) of the Company if with the written consent of Taiwan FF
“CNC Machine Tools Seller(s)”	Taiwan FF and/or the seller(s) designated by Taiwan FF to sell Designated CNC Machine Tools under the CNC Machine Tools Agreement, which may be any member(s) of the Taiwan FF Group, or controlled associate(s) of Taiwan FF if with the written consent 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 the Listing Rules
“controlling shareholder	has the meaning ascribed to it under the Listing Rules
“Designated CNC Machine Tools”	include (i) the CNC Machine Tools agreed to be sold and purchased under the CNC Machine Tools Agreement, the models and production specifications of which were specified under the CNC Machine Tools Agreement; and (ii) other CNC Machine Tools as mentioned under paragraphs (ii) and (iii) of the section headed “ <i>The Agreements – (2) CNC Machine Tools Agreement – Summary of principal terms – (F) Others</i> ”

“Directors”	the directors of the Company
“Effective Date”	the date on which all the conditions precedent under each of the CKD Components Agreement and the CNC Machine Tools Agreement (as set out in the sections headed “ <i>The Agreements – (1) CKD Components Agreement – Summary of principal terms – (A) Condition precedent</i> ” and “ <i>The Agreements – (2) CNC Machine Tools Agreement – Summary of principal terms – (A) Condition precedent</i> ”) are fulfilled
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, among others, the Agreements, the Transactions and Proposed Annual Caps thereunder
“Former CKD Components Agreement”	the conditional framework agreement entered into between the Company and Taiwan FF on 26 May 2017, in relation to the purchase and supply of CKD Components between the Company (or persons designated by the Company) and Taiwan FF (or persons designated by Taiwan FF) for a period of three years commencing from 13 July 2017 and expiring on 12 July 2020
“Former CNC Machine Tools Agreement”	the conditional framework agreement entered into between the Company and Taiwan FF on 26 May 2017, in relation to the exclusive sale of Designated CNC Machine Tools by Taiwan FF (or persons designated by Taiwan FF) to the Company (or persons designated by the Company), and the rights to exclusive sale of Designated CNC Machine Tools by the Company (or persons designated by the Company) in the Sales Region for a period of three years commencing from 13 July 2017 and expiring on 12 July 2020
“Group”	the Company and its then subsidiaries at any time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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, beneficial owner of 232,000,000 Shares (representing approximately 57.56% of the issued share capital of the Company) and is owned as to approximately 99.99% by Taiwan FF
“Independent Board Committee”	the committee established by the Board, comprising the three independent non-executive Directors
“Independent Shareholders”	Shareholders (other than Hong Kong GF, Sunward Gold Global Investments Limited (a company held as to approximately 72.22% by Mr. Chu) and any of their respective associates and, if any, any other Shareholders who have a material interest and are required to abstain from voting at the EGM pursuant to the Listing Rules) who do not have to abstain from voting in the EGM under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chu”	Mr. CHU Chih-Yaung, an executive Director and the chairman of the Company, who is at the date of this announcement interested in 15,527,255 shares in Taiwan FF (representing approximately 15.16% of the entire issued capital thereof) and, through Sunward Gold Global Investments Limited, a company held as to approximately 72.22% by him, interested in 20,000,000 Shares (representing approximately 4.96% of the entire issued capital of the Company)
“percentage ratios”	has the meaning as 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 of the PRC and Taiwan
“Proposed Annual Caps”	the proposed annual caps for the annual amounts payable or receivable by the Group in the relevant financial periods for the respective Transaction(s) under the CKD Components Agreement or the CNC Machine Tools Agreement (as the case may be)
“RMB”	Renminbi, the lawful currency of PRC

“Sales Region”	the PRC, Hong Kong and the Macau Special Administrative Region
“Share(s)”	the share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Taiwan FF”	Fair Friend Enterprise Company Limited, a limited liability company incorporated in Taiwan on 15 March 1979
“Taiwan FF Group”	Taiwan FF and its then subsidiaries at any time (excluding members of the Group)
“Transaction(s)”	the continuing connected transactions contemplated under the CKD Components Agreement and/or the CNC Machine Tools Agreement respectively (as the case may be)
“%”	per cent

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

Hong Kong, 10 July 2020

As at the date of this announcement, the Board comprises (i) four executive Directors, namely Mr. CHU Chih-Yaung, Mr. CHEN Min-Ho, Mr. WEN Chi-Tang and Mr. CHIU Rung-Hsien and (ii) three independent non-executive Directors, namely Mr. KOO Fook-Sun, Louis, Mr. YU Yu-Tang and Mr. KAO Wen-Cheng.