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**GOOD FRIEND INTERNATIONAL HOLDINGS INC.**

**友佳國際控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2398)**

**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION**

**PROVISION OF FINANCIAL ASSISTANCE**

*Independent financial adviser*

**ALTUS CAPITAL LIMITED**

The Board announces that on 9 July 2014, FFG Werke and Sky Thrive entered into the Guarantee Procurement Deed, pursuant to which Sky Thrive agreed to procure the issuance of Bank Guarantees for FFG Werke's business operations.

As the relevant percentage ratios in respect of the Financial Assistance are more than 5% but less than 25%, the provision of the Financial Assistance constitutes a discloseable transaction of the Company subject to the announcement requirement under Chapter 14 of the Listing Rules.

As FFG Werke is an associate of Taiwan FF, the controlling shareholder of the Company, and is accordingly a connected person of the Company, the provision of the Financial Assistance which are expected to continue and extend over a period of time also constitutes a continuing connected transaction of the Company subject to the requirements of reporting, announcement and the Independent Shareholders Approval at the EGM under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to, among others, the terms of the Financial Assistance. Altus Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders.

A circular containing (i) further information on the Financial Assistance; (ii) the recommendation from the Independent Board Committee; (iii) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM is expected to be despatched to the Shareholders on or before 22 July 2014.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 20 December 2013 in relation to the incorporation of FFG Werke, the provision of further equity contribution and shareholders' loan and the procurement by Sky Thrive for the issuance of credit instruments to FFG Werke. As FFG Werke was newly incorporated on 17 October 2013 and additional time is required for it to secure adequate banking facilities, additional financial assistance is required to address its interim operating needs.

## **THE FINANCIAL ASSISTANCE**

On 9 July 2014, FFG Werke and Sky Thrive entered into the Guarantee Procurement Deed, pursuant to which Sky Thrive agreed to procure the issuance of the Bank Guarantees for FFG Werke's business operations. The principal terms of the Guarantee Procurement Deed are summarised below: -

**Date:** 9 July 2014

**Parties:** (i) FFG Werke (an associate of Taiwan FF); and  
(ii) Sky Thrive (a wholly-owned subsidiary of the Company).

**Issuance of Bank Guarantees:** FFG Werke may during the Procurement Period request Sky Thrive to (at the absolute discretion of Sky Thrive) procure the issuance of Bank Guarantees in respect of Sales Contracts in favour of the Customers for any member of the FFG Werke Group.

Each Bank Guarantee will expire no later than 24 months from its date of issuance.

**Amount of Bank Guarantees:** The maximum aggregate amount of all Bank Guarantees to be issued under the Guarantee Procurement Deed shall not exceed Euro 10,600,000.

The maximum amount was arrived at after taking into consideration the estimated amount of Bank Guarantees potentially required with reference to the confirmed and estimated sales orders of FFG Werke for the Procurement Period and the share thereof by Sky Thrive in proportion to its share of equity interests in FFG Werke among Golden Friendship, World Ten and Sky Thrive, being the three shareholders of FFG Werke currently expected to procure the provision of the Bank Guarantees.

**Procurement Period:** The period following the obtaining of the Independent Shareholders Approval up to and including the date immediately preceding the expiry of 12 months thereafter.

**Period of the Guarantee Procurement Deed:** The Guarantee Procurement Deed will take effect upon the obtaining of the Independent Shareholders Approval and will continue until the date on which all outstanding liabilities of Sky Thrive under all Bank Guarantees are repaid and/or discharged.

**Arrangement Fees:** FFG Werke shall pay to Sky Thrive such Arrangement Fees at the following rates:

- (i) 2.2% per annum on the amount of Bank Guarantees in fact procured by Sky Thrive pursuant to the Guarantee Procurement Deed, in respect of Bank Guarantees issued to the Customers directly by the arranging bank; or
- (ii) 3.75% per annum on the amount of Bank Guarantees in fact procured by Sky Thrive pursuant to the Guarantee Procurement Deed, in respect of Bank Guarantees issued to the Customers through an intermediary bank.

The Arrangement Fees shall accrue from the dates of each Bank Guarantee procured by Sky Thrive to the expiry date thereof and shall be settled by FFG Werke on a quarterly basis.

Such Arrangement Fees are calculated on a cost-plus basis taking into account the charges and expenses that would be incurred by Sky Thrive in procuring such Bank Guarantees plus a premium in view of the limited availability in alternative interim financing.

**Undertakings of FFG Werke:** The FFG Werke Group will not, without the written consent of Sky Thrive, effect any material acquisition, disposal, investment or other change in its businesses, including but not limited to the creation or grant of any security over any material part of the FFG Werke Group's assets.

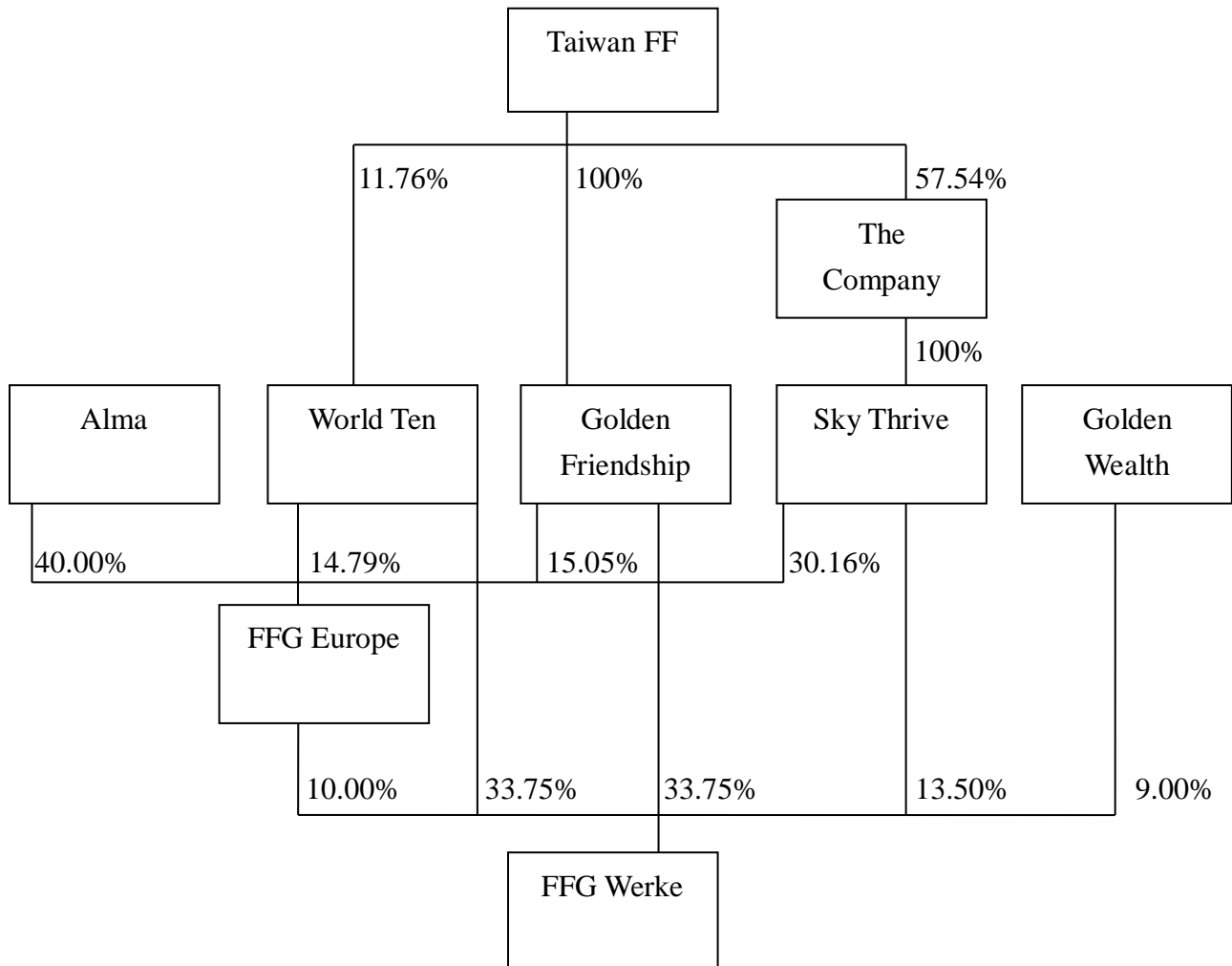
FFG Werke will provide regular updates to Sky Thrive on its status of obtaining external financing and such other information on the assets and liabilities positions of the FFG Werke Group as Sky Thrive may reasonably require.

**Reimbursements by FFG Werke:** FFG Werke is required to settle in full all such liabilities incurred by Sky Thrive pursuant to any enforcement of the Bank Guarantees within 3 Business Days of the date of a written request by Sky Thrive.

**Provision of security by FFG Werke:** Sky Thrive may from time to time request FFG Werke to provide and procure the provision of such continuing security over certain assets of the FFG Werke Group for the payment and discharge of all such liabilities Sky Thrive may incur under the Bank Guarantees. Any such security obtained shall not be subject to any prior or pari passu claim, except for such obligations mandatorily preferred by the applicable laws or otherwise expressly agreed to by Sky Thrive.

## SHAREHOLDING STRUCTURE OF FFG WERKE

The shareholding structure of FFG Werke as at the date of this announcement is as follows: -



## REASONS FOR AND BENEFITS OF THE PROVISION OF FINANCIAL ASSISTANCE

The FFG Werke Group is principally engaged in the development, manufacturing and sale of machine tools and production systems and would enter into the Sales Contracts with the Customers in its ordinary course of business. As a general practice in the business, under the Sales Contracts, the Customers are generally required to pay a deposit equivalent to approximately 30% of the corresponding contract amount, upon which a guarantee in the amount of the deposit would be required to be issued by the FFG Werke Group to the Customers as a security for the deposit and the due delivery of the product. As FFG Werke is newly incorporated, additional time is required to arrange for the requisite facilities with the banks during this transitional period. The Arrangement Fees will also provide an additional source of revenue for the Group.

In view of the aforesaid, the Board (excluding the independent non-executive Directors whose views will be provided after taking into account the views of the independent financial adviser) considers that the terms of the Guarantee Procurement Deed are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Financial Assistance would be provided through the Group's bank credit lines.

## **LISTING RULES IMPLICATIONS**

As the relevant percentage ratios in respect of the Financial Assistance are more than 5% but less than 25%, the provision of the Financial Assistance constitutes a discloseable transaction of the Company subject to the announcement requirement under Chapter 14 of the Listing Rules.

As FFG Werke is an associate of Taiwan FF, the controlling shareholder of the Company, and is accordingly a connected person of the Company, the provision of Financial Assistance which are expected to continue and extend over a period of time also constitutes a continuing connected transaction of the Company subject to the requirements of reporting, announcement and the Independent Shareholders Approval at the EGM under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to, among others, the terms of the Financial Assistance. Altus Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders.

Other than Mr. Chu, an executive Director and the Chairman of the Company, who is beneficially interested in 24,243,347 shares in Taiwan FF (representing approximately 15.40% of the entire issued capital thereof), who had abstained from voting, no Director had a material interest in the Guarantee Procurement Deed which would require him to abstain from voting on the relevant Board resolution.

A circular containing (i) further information on the Financial Assistance; (ii) the recommendation from the Independent Board Committee; (iii) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM is expected to be despatched to the Shareholders on or before 22 July 2014.

## GENERAL INFORMATION

The Group is principally engaged in the design and production of CNC machine tools, design and construction of three-dimensional car parking garage structures and design and assembling of forklift trucks. Sky Thrive is an investment holding company.

FFG Werke is principally engaged in the development, manufacturing and sale of machine tools and production systems.

## DEFINITIONS

Unless the context otherwise requires, the following terms in this announcement shall have the meanings set out below: -

“Alma”	Alma S.r.l., a company incorporated in Italy with limited liability
“Altus Capital Limited”	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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Arrangement Fees”	the arrangement fees payable by FFG Werke to Sky Thrive pursuant to the Guarantee Procurement Deed
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bank Guarantee(s)”	guarantee(s) to be issued by licensed banks on normal commercial terms in favour of the Customer(s) in respect of the Sales Contract(s)
“Business Day(s)”	a day on which the licensed banks in all of Hong Kong, Taiwan and Germany are generally open for business, excluding any Saturday and Sunday

“Board”	the board of Directors
“Company”	Good Friend International Holdings Inc., a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under Chapter 14A the Listing Rules
“continuing connected transaction(s)”	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
“Customer(s)”	customer(s) of the FFG Werke Group under the Sales Contract(s)
“Director(s)”	the director(s) of the Company
“discloseable transaction(s)”	has the meaning ascribed to it under Chapter 14 of the Listing Rules
“EGM”	the extraordinary general meeting of the Company to be convened for considering and, if thought fit, to approve the Guarantee Procurement Deed and the transactions contemplated thereunder
“Euro”	Euro, the lawful currency of the member states of the European Union
“FFG Europe”	FFG Europe S.p.A., a joint stock company incorporated in Italy with limited liability



“FFG Werke”	FFG Werke GmbH, a limited liability company incorporated in Germany
“FFG Werke Group”	FFG Werke and its subsidiaries from time to time
“Financial Assistance”	the procurement by Sky Thrive for the issuance of Bank Guarantee(s) on behalf of FFG Werke pursuant to the Guarantee Procurement Deed
“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
“Guarantee Procurement Deed”	the deed dated 9 July 2014 entered into by FFG Werke and Sky Thrive in respect of the Financial Assistance
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“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 issued share capital of the Company) and is owned as to approximately 99.99% by Taiwan FF

“Independent Board Committee”	the independent Directors appointed as the members of an independent committee of the Board to advise the Independent Shareholders on the Guarantee Procurement Deed and the transactions contemplated thereunder
“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
“Independent Shareholders Approval”	the approval from the Independent Shareholders in respect of the entering into and performance of the Guarantee Procurement Deed by Sky Thrive and the transactions contemplated hereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAG”	MAG IAS GmbH, a limited liability company incorporated in Germany
“Mr. Chu”	Mr. CHU Chih-Yaung, an executive Director and the Chairman of the Company, who is beneficially interested in 24,243,347 shares in Taiwan FF (representing approximately 15.40% 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 meaning ascribed thereto under Chapter 14 of the Listing Rules

“Procurement Period”	the period following the obtaining of the approval of the Independent Shareholders in respect of the Financial Assistance up to and including the date falling on the expiry of 12 months thereafter
“Sales Contract(s)”	the manufacturing and/or sales contract(s) between any member of the FFG Werke Group and the Customer(s) to be entered into in the ordinary course of business of the FFG Werke Group
“Shareholder(s)”	the holder(s) of Share(s)
“Share(s)”	the share(s) of HK\$0.01 each in the share capital of the Company
“Sky Thrive”	Sky Thrive Hong Kong Enterprise Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan FF”	Fair Friend Enterprise Company Limited, a limited liability company incorporated in Taiwan on 15 March 1979

“World Ten”	World Ten Limited, a limited liability company incorporated in Hong Kong, and 11.76% of the issued share capital of which is held by Taiwan FF
“%”	per cent

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

Hong Kong, 9 July 2014

*As at the date of this announcement, the Board comprises (i) five executive Directors, namely Mr. Chu Chih-Yaung, Mr. Chen Hsiang-Jung, Mr. Chen Min-Ho, Mr. Wen Chi-Tang and Mr. Chiu Rung-Hsien; and (ii) three independent non-executive Directors, namely Mr. Koo Fook Sun, Louis, Mr. Chiang Chun-Te and Mr. Yu Yu-Tang.*