
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.

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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 CONNECTED TRANSACTION
FORMATION OF JOINT VENTURE AND ASSETS INJECTION****Independent Financial Adviser****to the Independent Board Committee and the Independent Shareholders****ALTUS CAPITAL LIMITED**

A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 23 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 24 to 38 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 31 October 2012 at 3:00 p.m. is set out on pages 43 to 44 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 26th Floor, Tesbury Centre, 28 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 September 2012

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DEFINITIONS

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

“Alma”	Alma S.r.l., a company incorporated in Italy with limited liability and wholly-owned by the Managers
“Altus Capital”	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, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the JV Formation and the Assets Injection
“Announcement”	the announcement of the Company dated 28 September 2012 in relation to the JV Formation and the Assets Injection
“Assets Injection”	the injection of 900,000 Jobs Shares, representing 15% of the share capital of Jobs, and the entire capital of Rambaudi by Sky Thrive into FFG Europe
“associate”	has the meaning ascribed under the Listing Rules
“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”	has the meaning ascribed under the Listing Rules
“connected transaction”	has the meaning ascribed under Chapter 14A of the Listing Rules
“Contribution Agreement”	the “FFG Europe S.p.A. Contribution Agreement” dated 27 September 2012 entered into by the Parties

DEFINITIONS

“controlling shareholder”	has the meaning ascribed under the Listing Rules
“Directors”	the directors of the Company
“discloseable transaction”	has the meaning ascribed under Chapter 14 of the Listing Rules
“EGM”	an extraordinary general meeting of the Shareholders to be convened and held
“Euro”	Euro, the lawful currency of the member states of the European Union
“Fair Market Value”	the fair market value as determined by the Parties in accordance with the International Accounting Principles adopted by the European Union pursuant to the Italian Civil Code
“FFG Europe” or “JV”	FFG Europe S.p.A., a joint stock company to be formed in Italy with limited liability and its predecessor shelf company incorporated in Italy with limited liability, FFG Europe S.r.l., prior to completion of the JV Formation
“Golden Friendship”	Golden Friendship International Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Taiwan FF
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	committee comprising the three independent non-executive Directors
“Independent Shareholders”	Shareholders other than Taiwan FF and its associate(s)

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“Independent Valuer”	Dr. Massimo Greco, a chartered accountant and registered auditor in Italy, being the independent valuer appointed by the Parties for the professional appraisal valuations on Jobs and Rambaudi in compliance with the Italian law
“Jobs”	Jobs Automazione S.p.A., a joint stock company incorporated in Italy and held as to 15% by Sky Thrive, 18.319% by Golden Friendship, 18% by World Ten and 48.681% by Alma as at the date hereof
“Jobs Accounts”	the consolidated financial statements of Jobs prepared in accordance with the generally accepted accounting principles in Italy for the relevant financial period
“Jobs Share(s)”	shares in the issued and fully paid-up share capital of Jobs
“JV Formation”	the entering into of the Contribution Agreement, the Shareholders’ Agreement and any ancillary documentation and transaction by Sky Thrive for the formation of FFG Europe by way of the Assets Injection
“Latest Practicable Date”	28 September 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Managers”	Messrs. Luigi Maniglio, Marco Livelli, Luigi Riboli and Antonio Dordoni, who are Italian citizens and the members of Alma as at the date hereof and hold major managerial functions in Jobs
“Overseas Parties”	Sky Thrive, Golden Friendship and World Ten
“Parties”	Sky Thrive, Golden Friendship, World Ten and Alma and “Party” shall mean any one of them

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“percentage ratios”	has the meaning ascribed under Chapter 14 of the Listing Rules
“PRC” or “China”	the People’s Republic of China
“Rambaudi”	Sky Thrive Rambaudi S.r.l., a limited liability company incorporated in Italy and a wholly-owned subsidiary of Sky Thrive as at the date hereof
“RMB”	Renminbi, the lawful currency of the PRC
“Rambaudi Accounts”	the financial statements of Rambaudi prepared in accordance with the generally accepted accounting principles in Hong Kong for the relevant financial period
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“Shareholders’ Agreement”	the shareholders’ agreement in relation to FFG Europe to be entered into by the Parties and the Managers pursuant to the Contribution Agreement
“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, and indirectly interested in 232,000,000 issued Shares, representing approximately 57.54% of the issued share capital of the Company as at the Latest Practicable Date

DEFINITIONS

“US”	the United States of America
“Valuation Report(s)”	the respective appraisal reports of Jobs and Rambaudi issued by the Independent Valuer based on the net equity approach, which, on the assumption that the value of a company corresponds to its shareholders’ equity, the financial statements and accounting treatments adopted by Jobs and Rambaudi have been reviewed and adjustments have been made, when necessary
“World Ten”	World Ten Limited, a limited liability company incorporated in Hong Kong, and 8.35% of the issued share capital of which is held by Taiwan FF
“%”	per cent

LETTER FROM THE BOARD

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

Registered Office:–

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent non-executive Directors:–

Mr. Koo Fook Sun, Louis
Mr. Chiang Chun-Te
Mr. Yu Yu-Tang

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 September 2012

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION FORMATION OF JOINT VENTURE AND ASSETS INJECTION

1. INTRODUCTION

Reference is made to the Announcement. On 27 September 2012, Sky Thrive (a wholly-owned subsidiary of the Company), Golden Friendship, World Ten and Alma entered into the Contribution Agreement for the JV Formation and the Assets Injection, pursuant to which, among others, Sky Thrive will provide capital contribution in the form of (i) all of its 900,000 Jobs Shares held valued at Euro 1,530,000; and (ii) the entire share capital of Rambaudi, valued at the amount of Euro 2,219,300. The Directors will seek the Independent Shareholders' approval for the JV Formation and the Assets Injection at the EGM.

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The purpose of this circular is to provide you with, among others, (i) details of the JV Formation and the Assets Injection; (ii) the letter of advice from Altus Capital to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation and advice of the Independent Board Committee after taking into consideration of the advice from Altus Capital; and (iv) the notice of EGM.

2. THE JV FORMATION AND THE ASSETS INJECTION

The principal terms of the Contribution Agreement are summarised below.

(a) The Contribution Agreement

Date : 27 September 2012

Parties : (i) Sky Thrive;
(ii) Golden Friendship (an associate of Taiwan FF);
(iii) World Ten; and
(iv) Alma.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, World Ten (save for Taiwan FF's 8.35% interest therein), Alma and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Condition precedent : The Contribution Agreement is conditional upon the necessary approval and consent required for the Contribution Agreement and ancillary documentation having been obtained, including the Independent Shareholders' approval at the EGM under the Listing Rules.

In the event that the above condition has not been fulfilled on or before 31 October 2012, or such later date as the Parties may agree, the Contribution Agreement shall become null and void and of no effect save as to any antecedent breach.

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- Term of JV** : From the date of formation until 31 December 2030, unless extended or dissolved prior to the expiry thereof pursuant to applicable law.
- Formation of JV** :
- (i) The agents of the Parties incorporated FFG Europe S.r.l., as a shelf company with a nominal paid-up capital (Euro 10,000) in compliance with the Italian law, to be held temporarily by Alma and Jobs as to 40% and 60% respectively.
 - (ii) Subject to the fulfillment of the condition precedent above:–
 - (a) Jobs will transfer all of 60% holdings in FFG Europe to Sky Thrive, Golden Friendship and World Ten at nominal value respectively representing approximately 30.16%, 15.05% and 14.79% of the entire paid-up capital of FFG Europe;
 - (b) Simultaneously, the Parties will each subscribe for new shares in FFG Europe on a pro-rata basis at the consideration as stated below:
 - Sky Thrive will inject into FFG Europe all of its 900,000 Jobs Shares held (representing approximately 15% of the share capital of Jobs) and the entire equity of Rambaudi, i.e. the Assets Injection;
 - Golden Friendship will inject into FFG Europe all of its 1,099,140 Jobs Shares held (representing approximately 18.319% of the share capital of Jobs);

LETTER FROM THE BOARD

- World Ten will inject into FFG Europe all of its 1,080,000 Jobs Shares held (representing approximately 18% of the share capital of Jobs); and
- Alma will inject into FFG Europe all of its 2,920,860 Jobs Shares held (representing approximately 48.681 of the share capital of Jobs),

thereupon the paid-up capital of FFG Europe will be increased to Euro 11,000,000 and both Jobs and Rambaudi will be 100% held under FFG Europe.

Shareholdings upon completion : Upon completion of the JV Formation, FFG Europe will be held approximately as to:-

- (i) 30.16% by Sky Thrive;
- (ii) 15.05% by Golden Friendship;
- (iii) 14.79% by World Ten; and
- (iv) 40.00% by Alma.

Basis of consideration : The consideration was determined after arm's length negotiations between the Parties, taking into account the valuations of Jobs and Rambaudi conducted by the independent valuer and the unaudited net assets value of Jobs and Rambaudi, respectively, as at 30 June 2012.

Please refer to the section headed "***Information on FFG Europe, Jobs, Rambaudi and the Parties to the transaction***" below for further information.

Shareholders' Agreement : The Parties will enter into the Shareholders' Agreement on the date of completion of the JV Formation, the proposed principal terms of which are summarised below.

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(b) The Shareholders' Agreement

- Parties** : (i) Sky Thrive;
- (ii) Golden Friendship (an associate of Taiwan FF);
- (iii) World Ten;
- (iv) Alma; and
- (v) the Managers (members of Alma).

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, World Ten (save for Taiwan FF's 8.35% interest therein), Alma, their respective ultimate beneficial owners and each of the Managers are third parties independent of the Company and its connected persons.

Term of agreement : 5 years from the date of execution, subject to automatic renewal on the same provisions for further 5 year periods unless terminated earlier by notice in writing from a Party.

Composition of the board : The board of FFG Europe shall consist of 5 directors, 1 of which will be appointed by Sky Thrive, 2 of which shall be appointed by Golden Friendship and World Ten and 2 of which shall be appointed by Alma. The Parties believe it is in their interests to keep a lean and efficient board size and as Alma, the single largest shareholder of FFG Europe, will appoint 2 directors, a minimum number of 3 directors will be appointed by the Overseas Parties. The chairman of the board and the managing director of FFG Europe shall initially be Mr. Luigi Maniglio and Mr. Marco Livelli of the Managers respectively.

LETTER FROM THE BOARD

A majority in number of directors of FFG Europe shall constitute a quorum for meetings of the board and matters to be resolved by the board shall be determined by the affirmative majority votes of the directors present at the meeting, except that resolutions on (i) the approval of annual budget and/or business plans and (ii) the provision of powers of attorney to individual directors will require the affirmative votes of at least 80% of the directors voting at the relevant board meeting.

Shareholders' approvals : The matters which require the approval of shareholders of FFG Europe holding over 66% of the issued shares with voting rights include:–

- (i) amendment of the business objective or change of registered office and change of the main activities of FFG Europe to another country;
- (ii) change in the number of directors of FFG Europe;
- (iii) liquidation of FFG Europe; and
- (iv) significant acquisition, mergers or spin-offs by FFG Europe.

General transfer provisions : A Party shall have the general right to require the other Parties to acquire its shareholding in FFG Europe at the Fair Market Value determined at the time when the relevant right is exercised, including among others:–

- (i) if the other Parties withhold their consent to any intended transfer of the transferor Party's interest to any third party, failing which such interest may be transferred to any third party; or
- (ii) in case the Overseas Parties declare a deadlock in decision making of FFG Europe, Alma may sell its interest to the Overseas Parties whereupon, Golden Friendship and World Ten shall, and Sky Thrive may at its discretion, acquire such interest.

LETTER FROM THE BOARD

Right to acquire FFG Europe shares upon expiry of the term : With the view of fostering a long-term relationship, after the first 5 years from the date of the Shareholders' Agreement, if the Shareholders' Agreement fails to be renewed due to refusal of either Alma or the Overseas Parties, the non-refusing shareholder(s) may purchase at a fixed discount on the net equity value of each share all the shares of FFG Europe held by the refusing shareholder(s) who shall sell (other than Sky Thrive which shall have the right but not the obligation to sell) the same.

If Sky Thrive is a refusing shareholder and does not opt to sell its interests in FFG Europe, various transfer provisions of the Shareholders Agreement shall remain to be in full force and effect for Sky Thrive after expiry of the Shareholders' Agreement.

Exit rights of the Managers : Each of the Managers is contracted to continue his management role in Jobs and Rambaudi until he reaches retirement age (approximately 5 to 9 years from the date hereof, depending on the Manager concerned), thereupon such Manager may sell (if the other members of Alma do not first acquire such interests) to the Overseas Parties whereupon Golden Friendship and World Ten shall, and Sky Thrive may at its discretion, acquire his indirect interests in FFG Europe as attributable through his holdings in Alma.

With the view of fostering a long-term relationship, in the event of early termination by a Manager, the Overseas Parties may acquire at fixed rates of discount on the net equity value of each share determined by the date(s) of the Manager(s)' termination (if the other members of Alma do not first acquire such interests) his indirect interests in FFG Europe.

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- Public listing** : The Parties will endeavour but not obliged to achieve public listing of FFG Europe's share within 3 years from the date of the Shareholders' Agreement directly or through listing of its holding company.
- Further compliance** : The exercise of rights by any Parties and/or Managers, to the extent it may constitute a matter governed by the Listing Rules, shall be subject to the prior compliance with such rules, including the obtaining of prior approvals of the Shareholders, if necessary.

(c) Reasons for and benefits of the JV Formation and Assets Injection

The Board is of the view that the JV Formation and the Assets Injection would allow Jobs and Rambaudi to streamline their operation and consolidate their product portfolios, in particular, in the sectors of aerospace, automotive, mould and die and general engineering application, under the unified leadership and supervision of the Managers who possess valuable expertise and extensive experience in the industry, thereby derive economies of scale in manufacturing, sourcing, sales and after sales services and support as well as to promote synergies in research and development and production process. Each of the Managers has extensive experience in the machine tools industry for around 30 years and the Managers have vast collective expertise in the area of production of large plants and in aeronautics industry and engineering, international marketing, as well as management and finance.

The joining of Rambaudi with Jobs would expand the existing operation scale as well as the customer base of Rambaudi and the new FFG Europe, which is expected to boost the sales of their products through the established widespread sales network of Jobs, including its offices in the US, Germany, France and the PRC and its large number of agents worldwide.

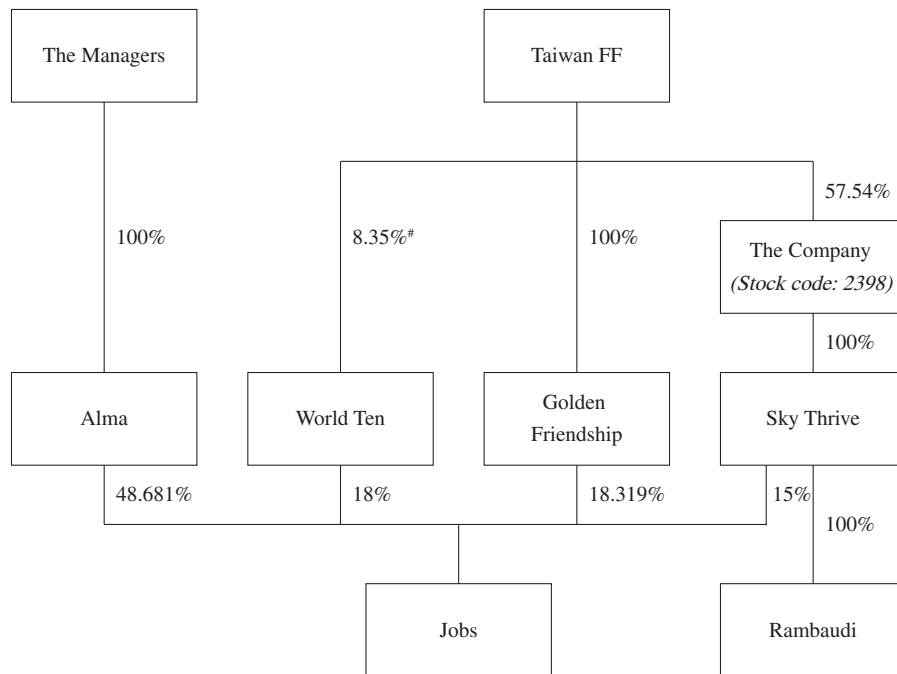
As such, the JV Formation and the Assets Injection is believed to be beneficial to the business operation and further the development of the Group, in particular in the China market.

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(d) Relevant shareholding structure

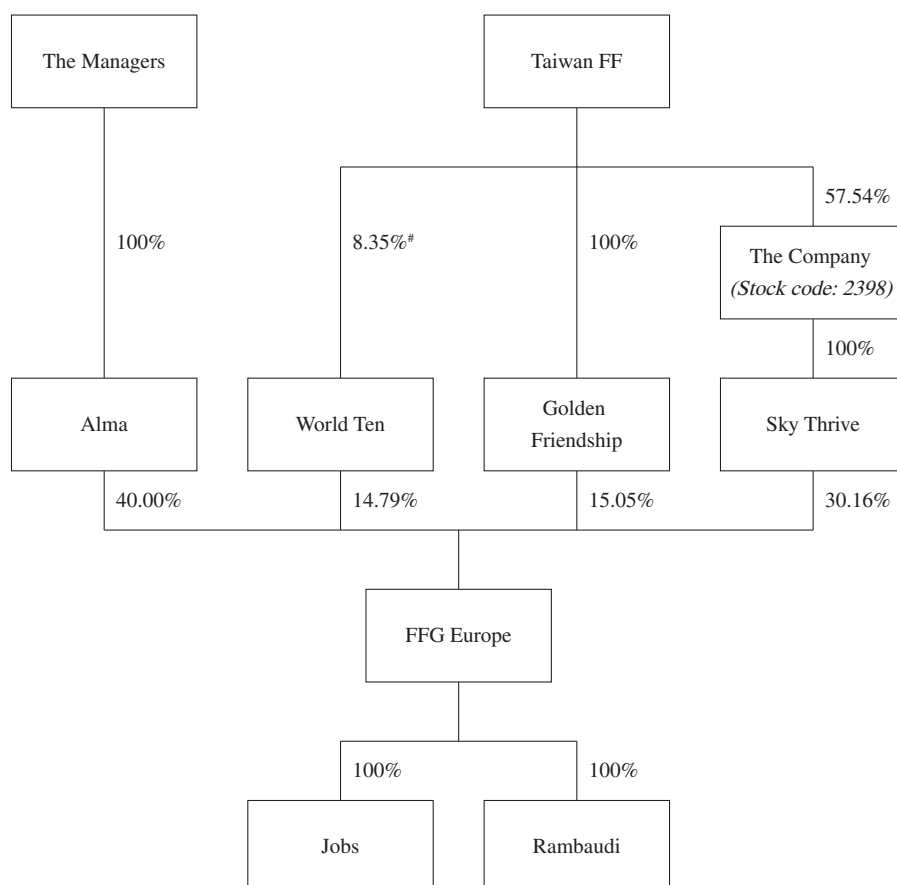
The charts below summarise the shareholding structure of FFG Europe, Jobs and Rambaudi before and after the JV Formation and the Assets Injection:-

Before the JV Formation and the Assets Injection



LETTER FROM THE BOARD

Upon completion of the JV Formation and the Assets Injection



Holders of the remaining 91.65% interests of World Ten are third parties independent of the Company and its connected persons.

LETTER FROM THE BOARD

3. INFORMATION ON FFG EUROPE, JOBS, RAMBAUDI AND THE PARTIES TO THE TRANSACTION

The scope of business of FFG Europe will be the design, manufacturing and sale of industrial machine tools for metalworking and property investments and consultancy services in relation thereto.

Jobs is principally engaged in the design and production of 5-axis milling machines for aerospace, energy and mechanical engineering applications. As disclosed in the latest unaudited Jobs Accounts for the six months ended 30 June 2012, the net assets value of Jobs as at 30 June 2012 was Euro 6,136,000.

Based on the Valuation Report on Jobs dated 25 September 2012, the net asset value of Jobs was valued at Euro 10,200,000 and the 900,000 Jobs Shares held by Sky Thrive, representing 15% interests in Jobs, were valued at Euro 1,530,000. In arriving at such valuation amount, the Independent Valuer has considered factors including the business operation and relevant sales data, and historical financial results of Jobs and its business position in international markets among major competitors and industry prospects, on the basis of assumptions, the reasonableness of which was arrived at through discussions with the management of Jobs and the Parties. In determining the net asset value of Jobs, the necessary adjustments made by the Independent Valuer with a view to reflect the fair market value of non-monetary assets in the financial statements, are set out below:–

- inventory was adjusted upward by Euro 600,000 to align to their realizable value per sales contracts based on the market value of similar products;
- the value of building and leasehold improvements was adjusted upward by Euro 428,000 to reflect the value of a building as evaluated by CBRE Valuation S.p.A., an independent property valuer appointed by Jobs in 2012;
- the value of production machines was adjusted upward by Euro 1,095,000 to align to their realizable value based on the market value of similar machines;
- the value of trademark was adjusted upward by Euro 1,182,000 to reflect the value determined on the basis of costs for building up the trademark in five years; and
- provision of warranty was adjusted downward by Euro 344,000 to reflect the estimated value of possible warranty work to be carried out by Jobs during the warranty periods based on historical records.

LETTER FROM THE BOARD

Set out below is a summary of the audited net profit amount, before and after taxation and extraordinary items, attributable to 15% interests in Jobs held by Sky Thrive as disclosed in the audited Jobs Accounts* respectively for the two financial years ended 31 December 2011 and 31 December 2010:–

	For the year ended 31 December 2011 Euro	For the year ended 31 December 2010 Euro
Net profit/(loss) before taxation and extraordinary items attributable to the 15% interests in Jobs	110,800	68,000
Net profit/(loss) after taxation and extraordinary items attributable to the 15% interests in Jobs	15,300	9,150

* *Note: The Jobs Accounts are prepared in accordance with the generally accepted accounting principles of Italy, which the Company understands and has confirmed with the auditors of the Company that there is no material difference to be adjusted under the generally accepted accounting principles of Hong Kong.*

Rambaudi is principally engaged in the design and production of milling and machining centers for aerospace and mould and die applications. As disclosed in the latest unaudited Rambaudi Accounts for the six months ended 30 June 2012, the net equity value of Rambaudi as at 30 June 2012 was Euro 1,756,000.

Based on the Valuation Report on Rambaudi dated 25 September 2012 prepared by the Independent Valuer, the net assets of Rambaudi as wholly owned by Sky Thrive was valued at Euro 2,219,300. In arriving at such valuation amount, the Independent Valuer has considered factors including the historical financial results of Rambaudi. In determining the net asset value of Rambaudi, the necessary adjustments made by the Independent Valuer with a view to reflect the fair market value of non-monetary assets in the financial statements, are set out below:–

- inventory was adjusted upward by Euro 82,500 to align to their realizable value per sales contracts; and
- the capitalisation of the long term debt of approximately Euro 1.51 million provided by Sky Thrive before completion of the JV Formation.

LETTER FROM THE BOARD

Set out below is a summary of the unaudited net profit amount, before and after taxation and extraordinary items of Rambaudi as stated in the unaudited Rambaudi Accounts respectively for the two financial years ended 31 December 2011 and 31 December 2010, of which the figures for the year ended 31 December 2010 include an exceptional gain on revaluation of approximately Euro 2,180,000*:-

	For the year ended 31 December 2011 Euro	For the year ended 31 December 2010 Euro
Net profit/(loss) before taxation and extraordinary items	(621,000)	1,763,000
Net profit/(loss) after taxation and extraordinary items	(492,000)	1,890,000

* *Note: The revaluation gain of Euro 2,180,000 was disclosed in the Company's audited financial statements for the year ended 31 December 2010. Pursuant to the Hong Kong Financial Reporting Standard 3 (revised) "Business combinations", the Group has to perform valuation on those Rambaudi assets (including inventories etc.) acquired in June 2010, and to be recorded at fair values. Since discounting (in particular inventories) were offered upon the acquisition of those Rambaudi assets, accordingly the fair values after valuation was greater than the book values as at acquisition.*

The Independent Valuer was appointed by Sky Thrive, jointly with Golden Friendship, World Ten and Alma, in accordance with Italian law, having taken into account the Independent Valuer's relevant experience of about 30 years in the appraisal and accounting industry, in particular in the mechanical and automobile sector, including providing appraisals of companies in various mergers and acquisitions transactions. In arriving at the net asset value of Jobs and Rambaudi, the Independent Valuer made certain assumptions including, as applicable, the prospects of the political, legal, fiscal and economic condition of Italy and other regions relevant to the company having no material adverse change, key management and staff of the company to be retained, the lack of significant change or deviation from the existing practice of the general management of the subject company, market trend, taxation laws and/or rates relevant to the business of the company, and the truthfulness and accuracy of the opinions and representations given by the company.

As a result of the JV Formation and the Assets Injection, Rambaudi will no longer be a subsidiary of the Company and its financial statement will not be consolidated into the Group's financial statements. It is expected that the Group will record a gain of approximately RMB3,378,000 on the disposals of its 15% interest in Jobs and the entire equity of Rambaudi.

LETTER FROM THE BOARD

Such gain on the disposals was determined based on the difference between (i) the aggregate of the book values of the Company's indirect interest in 15% of Jobs and 100% of Rambaudi as recorded in the unaudited financial statements of the Company as at 30 June 2012 of approximately RMB26,203,000; and (ii) the estimated consideration of approximately RMB 29,581,000, being the value of the 30.16% interest in FFG Europe to be held by Sky Thrive upon completion of the JV Formation with reference to the Valuation Reports.

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.

Taiwan FF and its subsidiaries are a conglomerate in Taiwan and have 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, anode-ray tube display, thin film transistor liquid crystal display, door drums, printed circuit boards and aviation parts.

Sky Thrive, Golden Friendship, World Ten and Alma are each an investment holding company.

4. ADDITIONAL HISTORICAL FINANCIAL FIGURES OF JOBS AND RAMBAUDI

Set out below is a summary of the unaudited sales amount of machine tools in different application sectors, and sales amount to customers in China of Rambaudi and Jobs for the two respective financial years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012:–

Application sectors	Sales amount for the year ended 31 December								Sales amount for six months ended 30 June			
	2010				2011				2012			
	Jobs (unaudited)		Rambaudi (unaudited)		Jobs (unaudited)		Rambaudi (unaudited)		Jobs (unaudited)		Rambaudi (unaudited)	
	Euro '000	%	Euro '000	%	Euro '000	%	Euro '000	%	Euro '000	%	Euro '000	%
Aerospace	19,058	46%	0	0%	18,095	53%	0	0%	4,331	34%	0	0%
Automotive	9,081	22%	0	0%	5,936	17%	0	0%	3,535	27%	0	0%
General Mechanical/Mould and Die	12,972	32%	1,215	100%	10,100	30%	4,700	100%	5,056	39%	2,928	100%
Total	41,111	100%	1,215	100%	34,131	100%	4,700	100%	12,922	100%	2,928	100%
Sales amount to customers in China	8,785	21%	0	0%	6,731	20%	1,167	25%	1,872	14%	1,832	63%

LETTER FROM THE BOARD

Set out below is the summary of the respective revenue amount, the net income (after taxation and extraordinary items) and net asset value of Jobs as disclosed in the audited Jobs Accounts for the two respective financial years ended 31 December 2010 and 2011 and the unaudited financial statements of Jobs for the six months ended 30 June 2012:–

	For the year ended 31 December		For the six months ended 30 June
	(audited)	(audited)	(unaudited)
	<i>Euro '000</i>	<i>Euro '000</i>	<i>Euro '000</i>
	2010	2011	2012
Revenue	41,111	34,131	12,922
Net income/(loss)	61	102	(1,689)
Net Asset Value	7,718	7,825	6,136

Set out below is the summary of the respective revenue amount, the net income (after taxation but including an exceptional gain on revaluation of Euro 2,180,000) and net asset value of Rambaudi as disclosed in the unaudited financial statements of Rambaudi for the two respective financial years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012:–

	For the year ended 31 December		For the six months ended
	(unaudited)	(unaudited)	(unaudited)
	<i>Euro '000</i>	<i>Euro '000</i>	<i>Euro '000</i>
	2010	2011	2012
Revenue	1,215	4,700	2,928
Net income/(loss)	1,890	(492)	(652)
Net Asset Value	2,400	1,908	1,756

5. LISTING RULES IMPLICATIONS

As Golden Friendship is an associate of Taiwan FF, the controlling shareholder of the Company, Golden Friendship is a connected person of the Company. As the relevant applicable percentage ratios are more than 5% but less than 25% and the consideration involved exceeds HK\$10 million, the JV Formation and the Assets Injection constitute both a discloseable transaction and a connected transaction for the Company under the Listing Rules. The JV Formation and the Assets Injection will be subject to the announcement requirement under Chapter 14 and the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the terms of the JV Formation and the Assets Injection. Altus Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect. Under the Listing Rules, other than Mr. Chu Chih-Yaung, an Executive Director and the Chairman of the Company who is beneficially interested in 24,403,347 shares in Taiwan FF (representing approximately 15.50% of the entire issued capital thereof) had chosen to abstain from voting, no Directors were required to abstain from voting on the relevant Board resolution.

6. EGM AND ACTION TO BE TAKEN

The EGM will be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 31 October 2012 at 3:00 p.m. to consider and, if thought fit, approve, the JV Formation and the Assets Injection. A notice convening the EGM is set out on pages 43 to 44 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 26th Floor, Tesbury Centre, 28 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 JV Formation and the Assets Injection, and any Shareholder with a material interest in such transactions thereof and its associates, shall not vote upon the proposed resolutions in relation to the JV Formation and the Assets Injection at the EGM. In this respect, Taiwan FF (which is indirectly interested in approximately 57.54% of the issued share capital of the Company as at the Latest Practicable Date) and any of its associates are required to abstain from voting in relation to the relevant resolution at the EGM.

LETTER FROM THE BOARD

7. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 20 of this circular; and (ii) the letter from Altus Capital set out on pages 24 to 38 of this circular which contain their recommendation to the Independent Shareholders. The Independent Board Committee concurs with the opinion of Altus Capital that the terms of the JV Formation and the Assets Injection are in the interests of the Company and the Shareholders as a whole are fair and reasonable.

The Board is of the view that the terms of the JV Formation and the Assets Injection are in the interests of the Company and the Shareholders as a whole are fair and reasonable and accordingly, the Board recommends the Independent Shareholders to vote in favour of the proposed resolution(s) at the EGM.

8. GENERAL

Your attention is drawn to the general 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 September 2012

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION FORMATION OF JOINT VENTURE AND ASSETS INJECTION

We have been appointed to form this Independent Board Committee to consider and advise you on the terms of the JV Formation and the Assets Injection, details of which are set out in the circular issued by the Company to the Shareholders dated 28 September 2012 (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.

We wish to draw your attention to the letter from the Board and letter of advice from Altus Capital set out on pages 6 to 22 and pages 24 to 38 of the Circular respectively.

Having taken into account (i) the factors as disclosed in the section headed “**Reasons for and benefits of the JV Formation and Assets Injection**” 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 are of the view and concur with the opinion of Altus Capital that the terms of the JV Formation and the Assets Injection are fair and reasonable and in the interests of the Company and the 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

LETTER FROM ALTUS CAPITAL

The following is the text of a letter of advice from Altus Capital to the Independent Board Committee and the Independent Shareholders with regard to the discloseable and connected transaction prepared for the purpose of incorporation in this circular.

ALTUS CAPITAL LIMITED

8/F Hong Kong Diamond Exchange Building
8 Duddell Street, Central
Hong Kong

28 September 2012

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,

DISCLOSEABLE AND CONNECTED TRANSACTION FORMATION OF JOINT VENTURE AND ASSETS INJECTION

INTRODUCTION

We refer to our appointment as independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Contribution Agreement and Shareholders' Agreement and transactions contemplated thereunder (the "JV Formation and the Assets Injection"). Details of the JV Formation and the Assets Injection are set out in the "Letter from the Board" contained in the circular of the Company to the Shareholders dated 28 September 2012 ("Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Sky Thrive has entered into the Contribution Agreement with Golden Friendship, World Ten and Alma (together with Sky Thrive are the existing shareholders of Jobs), pursuant to which Jobs and Rambaudi will by way of the Assets Injection be injected into the JV. Sky Thrive is a wholly-owned subsidiary of the Company.

LETTER FROM ALTUS CAPITAL

Prior to the completion of the JV Formation and the Assets Injection, Rambaudi is a wholly-owned subsidiary of Sky Thrive, and Jobs is held by Alma, World Ten, Golden Friendship and Sky Thrive as to approximately 48.681%, 18.000%, 18.319% and 15.000% respectively.

Golden Friendship is a wholly-owned subsidiary of Taiwan FF and Taiwan FF is indirectly interested in 232,000,000 shares of the Company, representing approximately 57.54% of the issued capital of the Company. As Golden Friendship is an associate of Taiwan FF, the controlling shareholder of the Company, Golden Friendship is a connected person of the Company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, World Ten (save that approximately 8.35% of its issued share capital is held by Taiwan FF), Alma and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Accordingly, the JV Formation and the Assets Injection will constitute a discloseable and connected transaction of the Company under Rule 14A.13 of the Listing Rules. As the relevant applicable percentage ratios are more than 5% but less than 25% and the total consideration involved exceeds HK\$10 million, the JV Formation and the Assets Injection will be subject to the reporting, announcement and independent shareholders' approval at the Company's general meeting requirements under Chapter 14A of the Listing Rules. Taiwan FF and its associate(s) will abstain from voting at the general meeting of the Company to be convened to consider and, if thought fit, to approve the JV Formation and the Assets Injection.

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 advise the Independent Shareholders as to whether (i) the terms of the JV Formation and the Assets Injection are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the JV Formation and the Assets Injection are in the interests of the Company and the Shareholders as a whole.

We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion in relation to the JV Formation and the Assets Injection for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

LETTER FROM ALTUS CAPITAL

BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our opinion, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, the Company and its management. We have assumed that all statements, information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular. We have no reason to doubt the truth, accuracy and completeness of the statements, information, facts, opinions and representations provided to us by the Directors, the Company and its management. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed; thus we have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular, or the reasonableness of the opinions and representations provided to us by them.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that, to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and that there are no other facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We have relied on such information and opinions 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. Background information of the Group, the JV, Jobs and Rambaudi

The Group is principally engaged in the design and production of CNC machine tools (i.e. machine tools installed with computer numerical control (“CNC”) system), design and construction of three-dimensional car parking garage structures and design and assembling of forklift trucks.

The scope of business of the JV is expected to be principally the design, manufacturing and sale of industrial machine tools for metalworking.

LETTER FROM ALTUS CAPITAL

Rambaudi is held by the Group through Sky Thrive and is principally engaged in the design and production of milling and machining centers for aerospace and mould and die industries and operates in Italy. According to the Company's annual report for the year ended 31 December 2011 and interim report for the six months period ended 30 June 2012, the selling price of milling centres manufactured at Rambaudi factory in Italy are approximately 9 times and 10 times of the average selling price of the Group's CNC machine tools products respectively, and these high-end products are considered to be capable of optimising the product portfolio of the Group, and strengthen its core competitiveness.

The Group also holds, through Sky Thrive, a 15% interest in the entire equity capital of Jobs which is principally engaged in the design and production of 5-axis milling machines for aerospace, energy and mechanical engineering application with its principal facilities located in Italy. As stated in the Company's interim report for the six months period ended 30 June 2012, Jobs is a well-known Italian machine tools manufacturer with over 30 years history. It is a leader in the machining centre market in Europe.

Set out below are the historical financial information of the Group, Jobs and Rambaudi for the two years ended 31 December 2010 and 2011, and for the six months period ended 30 June 2012 as extracted from the relevant financial reports.

The Group	For the year ended 31 December		For the six months period ended
	2010	2011	30 June 2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	Audited	Audited	Unaudited
Revenue	1,374,183	1,884,132	779,413
Net profit	158,746	153,690	26,762
	As at 31 December		As at
	2010	2011	30 June 2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	Audited	Audited	Unaudited
Net asset value	618,363	682,368	708,011

LETTER FROM ALTUS CAPITAL

The Group has three operating segments, namely: (1) machine tools; (2) parking garage structure; and (3) forklift trucks.

For the two years ended 31 December 2010 and 2011, and the six months period ended 30 June 2012, the Group recorded revenue of approximately RMB1,374.2 million, RMB1,884.1 million and RMB779.41 million respectively. Sales of CNC machine tools is the major source of the Group's revenue where it accounted for approximately 82.6%, 79.7% and 78.8% of the Group's total revenue respectively for the corresponding periods.

The Group's forklift trucks business accounted for approximately 11.0%, 13.9% and 12.7% of the Group's total revenue respectively during the two years ended 31 December 2010 and 2011, and the six months period ended 30 June 2012. The remaining revenue was contributed by sales of parking garage structures.

The Group's CNC machine tools business focuses mainly on the China market, with the major customers being automobile parts and mechanical manufacturers.

Rambaudi	For the year ended 31 December		For the six months period ended
	2010 <i>Note 1</i>	2011	30 June 2012
	<i>Euro '000</i>	<i>Euro '000</i>	<i>Euro '000</i>
	Unaudited	Unaudited	Unaudited
Revenue	1,215	4,700	2,928
Net income/(loss)	1,890 <i>Note 2</i>	(492)	(652)
	As at 31 December		As at
	2010	2011	30 June 2012
	<i>Euro '000</i>	<i>Euro '000</i>	<i>Euro '000</i>
	Unaudited	Unaudited	Unaudited
Net asset value	2,400	1,908	1,756

LETTER FROM ALTUS CAPITAL

Jobs	For the year ended 31 December		For the six months period ended
	2010	2011	30 June 2012
	<i>Euro'000</i>	<i>Euro'000</i>	<i>Euro'000</i>
	Audited	Audited	Unaudited
Revenue	41,111	34,131	12,922
Net income/(loss)	61	102	(1,689)
	As at 31 December		As at
	2010	2011	30 June 2012
	<i>Euro'000</i>	<i>Euro'000</i>	<i>Euro'000</i>
	Audited	Audited	Unaudited
Net asset value	7,718	7,825	6,136

Notes to the extracted historical financial information of Jobs and Rambaudi:

1. Rambaudi commenced operation since June 2010
2. Including an exceptional gain on revaluation of approximately Euro 2,180,000. As disclosed in the Company's audited financial statements for the year ended 31 December 2010, pursuant to Hong Kong Financial Reporting Standard 3 (revised) "Business combinations", the Group has to perform valuation on those Rambaudi assets (including inventories etc.) acquired in June 2010, and to be recorded at fair values. Since discounting (in particular inventories) were offered upon the acquisition of those Rambaudi assets, the fair values after valuation was greater than the book values as at acquisition.
3. Exchange rate – Euro 1: RMB8.0 for the six months period ended 30 June 2012
4. Rambaudi figures were prepared in accordance with Hong Kong GAAP, while Jobs figures were prepared in accordance with Italy GAAP. According to the Company, there is no material difference to be adjusted under Hong Kong GAAP.

LETTER FROM ALTUS CAPITAL

Rimbaudi commenced operation in June 2010 and is currently operated by around 45 staff who are mainly located at production plant at Italy. Rimbaudi is principally engaged in the design and production of milling and machining centres for aerospace and mould and die applications.

Sales of Rimbaudi amounted to approximately Euro 1.2 million, Euro 4.7 million and Euro 2.9 million for the two years ended 31 December 2010, 2011 and the six months period ended 30 June 2012 respectively, indicating that sales of Rimbaudi was increasing since its commencement and business operation was developing. As for the net loss of Rimbaudi, by excluding the exceptional gain on revaluation recorded in the year ended 31 December 2010, the Company would record a net loss of Euro 290,000. The Directors considered the net loss of Euro 492,000 recorded in the year ended 31 December 2011 was comparable to the net loss of previous year on an annualised basis.

Jobs was founded in 1978 and is currently operated by around 200 staff mainly located at its production plants in Italy. Jobs is principally engaged in the design and production of 5-axis milling machines for aerospace, automotive and mechanical engineering applications and there are subsidiaries or services centres located at over 10 cities worldwide.

Sales of Jobs amounted to approximately Euro 41.1 million, Euro 34.1 million and Euro 12.9 million for the two years ended 31 December 2010, 2011 and the six months period ended 30 June 2012 respectively. Sales of Jobs for the year ended 31 December 2011 decreased as compared to the previous year. It was mainly attributable to the decrease in sales in automotive sector as affected by the eurozone sovereign debt crisis. As for the change from recording a net income for the year ended 31 December 2011 to a net loss for the six months period ended 30 June 2012, the Directors are of the view that it was due to the fact that sales would be concentrated in the second half of the year and that the overall sales declined as affected by the general economic downturn.

Taking into account of the above, we concur with the Directors that the operation scale of Jobs is relatively larger than that of Rimbaudi.

LETTER FROM ALTUS CAPITAL

2. The Contribution Agreement

(a) Formation of the JV by way of the Assets Injection

Pursuant to the Contribution Agreement, Sky Thrive, Golden Friendship, World Ten and Alma conditionally agreed to the formation of the JV by way of the Assets Injection. Details of the steps to be taken to form the JV by way of the Assets Injection are set out in the Letter from the Board. Upon completion of the Contribution Agreement, the ultimate shareholding of the JV will be as follow:

Shareholders	% of shareholding
Alma	40.00
Golden Friendship	15.05
Sky Thrive	30.16
World Ten	14.79
	<hr/>
	100.00
	<hr/> <hr/>

(b) Basis of consideration of the formation of the JV

According to the management of the Company, the consideration (that is, the value of Jobs and Rambaudi and the proportion of the eventual shareholding of each party to the Contribution Agreement in the JV) was determined after arm's length negotiations between the abovementioned parties to the Contribution Agreement, taking into account the valuations of Jobs and Rambaudi conducted by an independent valuer and the unaudited net asset value of Jobs and Rambaudi as at 30 June 2012.

As at 30 June 2012, Jobs recorded an unaudited net asset value of approximately Euro 6,136,000. Based on a valuation report dated 25 September 2012 prepared by Dott. Massimo Greco (the "Jobs Valuation Report"), an independent valuer appointed by the parties to the Contribution Agreement, the "adjusted" net assets of Jobs was approximately Euro 10,200,000 and the 900,000 shares of Jobs held by Sky Thrive, representing approximately 15% interests in Jobs, were valued at approximately Euro 1,530,000.

LETTER FROM ALTUS CAPITAL

As at 30 June 2012, Rambaudi recorded an unaudited net asset value of approximately Euro 1,756,000. Based on a valuation report dated 25 September 2012 prepared by Dott. Massimo Greco (the “Rambaudi Valuation Report”, together with the Jobs Valuation Report, the “Valuation Reports”), an independent valuer appointed by the parties to the Contribution Agreement, the “adjusted” net assets of Rambaudi was approximately Euro 2,219,300. As Rambaudi is wholly-owned by Sky Thrive, the entire interests in Rambaudi held by Sky Thrive were valued at approximately Euro 2,219,300.

We have performed the steps pursuant to Rule 13.80 of the Listing Rules including reviewing the term of engagements regarding the preparation of Valuations Reports. We have also discussed with Dott. Massimo Greco and understand that he is a chartered accountant appointed by the parties to the Contribution Agreement to conduct professional appraisal on Jobs and Rambaudi in accordance with Italian Civil Code. He possesses relevant experience in the appraisal and accounting industry and is independent from Jobs, Rambaudi and the Parties.

We have reviewed the Valuation Reports and discussed with the independent valuer on their valuation methodology and the necessary adjustments made as set out below:

Rambaudi – Inventory

Inventory as at 30 June 2012 was marked to their realisable value per sales contracts.

Rambaudi – capitalisation of long term debt from shareholder

Per Rambaudi’s unaudited management accounts as at 30 June 2012, there is a long term debt of approximately Euro 1.51 million provided by Sky Thrive. According to the Company, Sky Thrive and Rambaudi intends to capitalise this long term debt before the completion of the formation of the JV. As such, the independent valuer has treated this long term debt as capitalised for the purpose of valuation.

LETTER FROM ALTUS CAPITAL

Jobs – Inventory

Inventory as at 30 June 2012 was marked to their realisable value per sales contracts.

Jobs – Building & Leasehold Improvements

The value of building & leasehold improvements as recorded on the unaudited management account as at 30 June 2012 was adjusted to reflect the value of a building as evaluated by CBRE Valuation S.p.A., an independent property valuer appointed by Jobs.

Jobs – Production machines

The value of production machines recorded on the unaudited management account as at 30 June 2012 was adjusted to their realisable value.

Jobs – Trademark

The value of trademark recorded on the unaudited management accounts as at 30 June 2012 was adjusted to the value determined on the basis of the costs for building up the trademark in five years.

Jobs – Provision of warranty

Provision of warranty as recorded on the unaudited management accounts as at 30 June 2012 was adjusted to reflect the estimated value of possible warranty work to be carried out by Jobs during the warranty periods.

Both Jobs and Rambaudi recorded loss for the six months period ended 30 June 2012 rendering valuation methods such as price to earnings ratio not applicable. Based on our discussion with the independent valuer, he has indicated that using the net asset value method is a common method of valuation for such business. We note the reasons for and the basis of adjustments made to the abovementioned items and they represent all necessary adjustments to be made to the net assets of each of Jobs and Rambaudi as at 30 June 2012. Accordingly, we are of the view that the adjustments made, are appropriate, fair and reasonable.

LETTER FROM ALTUS CAPITAL

3. The Shareholders' Agreement

Pursuant to the Contribution Agreement, the parties to the Contribution Agreement undertake to enter into a shareholders' agreement in order to govern the shareholders of the JV. Details of the Shareholders' Agreement are set out in the Letter from the Board. In short, the key terms include the duration of the agreement, the composition of the board of the JV, those matters requiring affirmative approval by shareholders holding over 66% of issued shares with voting rights, the first right of refusal, the call option as well as rights and obligation of the exiting Managers and their management roles in the JV.

We have reviewed the Shareholders' Agreement, and consider the terms stated therein are normal commercial terms negotiated among the parties to the agreement. In addition, taking into account the following:

1. major terms of shareholders' agreement in respect of joint venture as disclosed in announcements of other listed companies;
2. the terms of Shareholders' Agreement are equitable among all parties and no less favourable to the Company upon the completion of the JV Formation;
3. Sky Thrive is entitled to appoint one out of five directors of the board of the JV which ensures the Company will continue to be involved in the strategic decision making of the JV; and
4. Sky Thrive, Golden Friendship and World Ten have the first right to acquire the indirect interest in FFG Europe from exiting Managers if the other members of Alma do not first acquire such interests,

we are of the view that the terms of the Shareholders' Agreement are those commonly adopted in agreements of similar nature, and are fair and reasonable.

LETTER FROM ALTUS CAPITAL

4. Reasons for and benefits of the formation of the JV

As a result of the completion of the JV Formation and the Assets Injection, it is noted that the Board believe such act will allow Jobs and Rambaudi to streamline their operation and consolidate their product portfolios, in particular, in the sector of aerospace, automotive, mould and die and general engineering application, under the unified leadership and supervision of the Manager who possess valuable expertise and extensive experience in the industry, thereby derive economies of scale in manufacturing, sourcing, sales and after sales services and support as well as to promote synergies in research and development and production process. As disclosed in the Letter from the Board, each of the Managers has extensive experience in the machine tools industry for around 30 years and the Managers have vast collective expertise in the area of production on large plants and in aeronautics industry, and engineering, international marketing, as well as management and finance.

In particular, we have taken into account the following:

Economies of scale and synergies

As at the Latest Practicable Date, there were around 200 staff in Jobs, and there were around 45 staff in Rambaudi. The Directors intend to review the respective structures.

Given that the product portfolio of Jobs and Rambaudi, they can be combined to manage for efficient sale and marketing purpose. The Company believes that both Jobs and Rambaudi under the leadership and supervision of the Managers who are experienced in machine tools industry and possess expertise in international marketing, would be able to more efficiently market the machine tools offered by the JV, in particular, the complete range of 5-axis milling machines and the high speed to heavy duty metalworking which is more comprehensive than products of Jobs or Rambaudi alone. Due to the larger combined scale of operations, we are of the view that the JV is likely to achieve economies of scale in manufacturing, purchasing and after sales service and exploiting synergies in sales, research and development and engineering functions as the Directors intend to combine the workforce in these areas to support various operations of the JV as a whole.

Leveraging on the presence and operation scale of Jobs, the customers base of Rambaudi is expected to be widened, and its sales will be boosted as its products could reach the wider sales network of Jobs which has subsidiaries and services centre located at more than 10 cities.

LETTER FROM ALTUS CAPITAL

Given the relatively small scale of Rambaudi's operations, we are of the view that the JV Formation will allow Rambaudi to leverage on the scale and presence of Jobs, especially in aerospace and automotive sectors, for growth.

Potential public float

The Directors intend to work together with the parties to the Contribution Agreement with a view to seek public listing of the JV within the next three years from the date of execution of the Shareholders' Agreement. By entering into the Contribution Agreement and the Shareholders' Agreement, the Directors believe that the benefits as described above could lay the foundation for possible future public listing of the businesses under the JV. A public listing in future can potentially enhance the value of the Group's interest in the JV.

China market potential

According to an annual survey issued by Gardner Business Media, Inc, a premier metalworking and machine tool publication, China is the largest machine tools consumption as well as machine tools import country in 2010 and 2011. The table below sets out (i) the sales amount in different application sectors; and (ii) sales amount to customers in China, for Rambaudi and Jobs for the two years ended 31 December 2010 and 2011, and the six months period ended 30 June 2012:

Application sectors	Sales amount for the year ended 31 December								Sales amount for six month period ended 30 June 2012			
	Jobs		Rambaudi		Jobs		Rambaudi		Jobs		Rambaudi	
	Euro '000 unaudited	%	Euro '000 unaudited	%	Euro '000 unaudited	%	Euro '000 unaudited	%	Euro '000 unaudited	%	Euro '000 unaudited	%
Aerospace	19,058	46%	0	0%	18,095	53%	0	0%	4,331	34%	0	0%
Automotive	9,081	22%	0	0%	5,936	17%	0	0%	3,535	27%	0	0%
General Mechanical/ Mould and Die	12,972	32%	1,215	100%	10,100	30%	4,700	100%	5,056	39%	2,928	100%
	<u>41,111</u>	<u>100%</u>	<u>1,215</u>	<u>100%</u>	<u>34,131</u>	<u>100%</u>	<u>4,700</u>	<u>100%</u>	<u>12,922</u>	<u>100%</u>	<u>2,928</u>	<u>100%</u>
Sales amount to customers in China	8,785	21%	0	0%	6,731	20%	1,167	25%	1,872	14%	1,832	63%

According to the Directors, China is considered as an important market for both Jobs and Rambaudi. As a result, both Jobs and Rambaudi have adopted the same business strategy of further expansion into China market.

LETTER FROM ALTUS CAPITAL

Sales of Jobs products in China accounted for approximately 20% of the total sales of Jobs, for the two years ended 31 December 2010 and 2011, while sales of Rambaudi products amounted to approximately 25% of the total sales of Rambaudi for the year ended 31 December 2011. The Directors believe that there can be synergistic cooperation between the representative offices of Jobs and Rambaudi where sales of Rambaudi products to the China market can be made through the support of Jobs representative office in China by accessing Jobs's clientele. In particular, Jobs has presence in the aerospace and automotive industries where Rambaudi is not currently involved in.

Based upon the reasons and factors mentioned above, we are of the view that the aligned business objectives and potential benefits from economies of scale and synergy provide a justifiable reason for the JV Formation and the Assets Injection.

5. Potential financial impact to the Company as a result of the completion of the JV Formation and the Assets Injection

(a) Consolidation

Upon completion of the JV Formation and the Assets Injection, Rambaudi will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the Group's financial statements. The larger combined entity, being the JV, which is held as to 30.16% by the Group, will instead be accounted for as an associate of the Group.

(b) Profit & loss

In terms of profit and loss, the Group is expected to record a net gain of approximately RMB3,378,000 from the injection to the JV of its 15% interest in Jobs and its entire share capital in Rambaudi, in exchange for its interest of 30.16% in the JV. As disclosed in the Letter from the Board, such gain on the disposals was determined based on the difference between (i) the aggregate of the book values of the Company's indirect interest in 15% of Jobs and 100% of Rambaudi as recorded in the unaudited financial statements of the Company as at 30 June 2012 of approximately RMB26,203,000; and (ii) the estimated consideration of approximately RMB29,581,000, being the value of the 30.16% interest in FFG Europe to be held by Sky Thrive upon completion of the JV Formation with reference to the Valuation Reports.

LETTER FROM ALTUS CAPITAL

(c) Net asset value

Upon completion of the JV Formation and the Assets Injection, the Group's net asset value will increase by the net gain of approximately RMB3,378,000 as discussed above. The decrease in net asset value resulting from Rambaudi's cessation to be wholly-owned subsidiary of the Group will be offset by the same amount of investment in the JV which will be account for as an associate of the Group.

(d) Cash flow

There will be no cash flow impact for the Group in respect of the JV Formation and the Assets Injection, as the Group contributes to the JV by injection of Rambaudi and the Group's 15% shares in Jobs. As confirmed by the Directors, there is currently no requirement for Sky Thrive to contribute further capital or provide loan or financial assistance to the JV.

RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the terms and conditions of the JV Formation and the Assets Injection are on normal commercial terms, are in the ordinary and usual course of business of the Group, and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. The JV Formation and the Assets Injection are also in the interests of the Company and the Shareholders as a whole. We would therefore advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the JV Formation and the Assets Injection.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Arnold Ip
Executive Director

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

(a) Interests in the Company and its associated corporations

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) Division 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:

Name of Director	Name of associated corporation	Nature of interest	Number and class of securities	Approximate percentage of shareholding
Mr. Chu Chih-Yaung	Taiwan FF	Beneficial owner	24,403,347 shares	15.50%
Mr. Chu Chih-Yaung (Note 1)	Taiwan FF	Spouse interest	4,441,925 shares	2.82%
Mr. Chen Hsiang-Jung	Taiwan FF	Beneficial owner	4,400,841 shares	2.80%
Mr. Chu Chih-Yaung	友迦工業股份有限公司 (Fairskq (Taiwan) Co., Ltd.) (Note 3)	Beneficial owner	21,988 shares	0.22%
Mr. Chu Chih-Yaung (Note 2)	友迦工業股份有限公司 (Fairskq (Taiwan) Co., Ltd.) (Note 3)	Spouse interest	21,988 shares	0.22%
Mr. Chu Chih-Yaung	佑泰興實業股份有限公司 (Yu Thai Xin Ent. Co., Ltd.) (Note 3)	Beneficial owner	1,000 shares	0.01%

Name of Director	Name of associated corporation	Nature of interest	Number and class of securities	Approximate percentage of shareholding
Mr. Chu Chih-Yaung (Note 4)	佑泰興實業股份有限公司 (Yu Thai Xin Ent. Co., Ltd.) (Note 3)	Spouse interest	1,000 shares	0.01%
Mr. Chu Chih-Yaung (Note 5)	友嘉國際股份有限公司 (Decaview Asia Corporation) (Note 3)	Spouse interest	14,700 shares	0.59%
Mr. Chen Hsiang-Jung	友嘉國際股份有限公司 (Decaview Asia Corporation) (Note 3)	Beneficial owner	2,940 shares	0.12%
Mr. Chu Chih-Yaung	Fair Fine (Hongzhou) Industrial Co., Ltd. (Note 3)	Beneficial owner	750 shares	0.03%
Mr. Chen Hsiang-Jung	Fair Fine (Hongzhou) Industrial Co., Ltd. (Note 3)	Beneficial owner	750 shares	0.03%

Notes:

1. Ms. Wang Tz-Ti (formerly known as Wang Jin-Zu) (“**Ms. Wang**”), the spouse of Mr. Chu Chih-Yaung (“**Mr. Chu**”), held 2.82% 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. Ms. Wang held 0.22% of the issued share capital of Fairskq (Taiwan) Co., Ltd.. Mr. Chu was deemed to be interested in all the shares held by Ms. Wang in Fairskq (Taiwan) Co., Ltd. under the SFO.
3. These companies are non-wholly-owned subsidiaries of Taiwan FF and are therefore associated corporations of the Company for the purpose of the SFO.
4. Ms. Wang held 0.01% of the issued share capital of Yu Thai Xin Ent. Co., Ltd.. Mr. Chu was deemed to be interested in all the shares held by Ms. Wang in Yu Thai Xin Ent. Co., Ltd. under the SFO.
5. Ms. Wang held 0.59% of the issued share capital of Decaview Asia Corporation. Mr. Chu was deemed to be interested in all the shares held by Ms. Wang in Decaview Asia Corporation under the SFO.

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

(b) 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 2011, 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 are 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 is materially interested in any contract or arrangement which is 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 does not expire or is not determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

Save as disclosed on pages 94 to 106 of the prospectus of the Company dated 30 December 2005, as at the Latest Practicable Date, none of the Directors or their respective associates was considered to have any interest in a business which competes or may compete with the business of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are of the view that there was no material adverse change in the financial or trading position of the Group since 31 December 2011, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. EXPERT AND CONSENT

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

Name	Qualification
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 is not beneficially interested in the share capital of any member of the Group, nor has any right (whether legitimate 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 2011, 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 are 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 September 2012 (as set out on pages 24 to 38 of and made for incorporation in this circular) and references to its name in the form and context in which they respectively appear.

7. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the following document(s) will be available for inspection at the office of the Company 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:

- the Contribution Agreement
- the Shareholders' Agreement

8. GENERAL

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

NOTICE OF EGM

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 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 31 October 2012 at 3:00 p.m. 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 FFG Europe S.p.A. Contribution Agreement dated 27 September 2012 (the “**Contribution Agreement**”) (a copy of which marked “A” has been produced to the Meeting and initialed by the chairman of the Meeting for identification purpose), and any ancillary documentation and transaction thereof, by Sky Thrive Hong Kong Enterprise Limited (“**Sky Thrive**”), a wholly-owned subsidiary of the Company, in relation to the formation of FFG Europe S.p.A. by way of injection of assets 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 and/or Sky Thrive may consider necessary, desirable or appropriate;
- (b) any director(s) or authorised person(s) of the Company and/or Sky Thrive be and are hereby authorised for and on behalf of the Company and/or Sky Thrive 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 Contribution Agreement 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 September 2012

NOTICE OF EGM

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 26th Floor, Tesbury Centre, 28 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.