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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or otherwise 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 transferee or to the bank, licensed securities registered 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)**

**MAJOR TRANSACTION AND CONNECTED TRANSACTION  
FORMATION OF JOINT VENTURE AND  
CAPITAL INJECTION**

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

**ALTUS CAPITAL LIMITED**

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A letter from the Board is set out on pages 5 to 12 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 13 of this circular. A letter from Altus Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 24 of this circular.

A notice convening the EGM to be held at 3:00 p.m. on Monday, 21 December 2015 at 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong is set out on pages 34 to 35 of this circular. A proxy form for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM or any adjournment thereof, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

4 December 2015

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## DEFINITIONS

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

“Altus Capital” or the “Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of, among other things, the Contribution Agreement and the transactions contemplated thereunder
“Announcement”	the announcement of the Company dated 5 November 2015
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Good Friend International Holdings Inc., a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2398)
“Contribution Agreement”	the agreement dated 5 November 2015 entered into amongst Sky Thrive, Mega Grant, Golden Wealth, Full Alliance, Taiwan FF and Leadwell in relation to the establishment of FFG European and capital injection therein
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened on 21 December 2015 for considering and, if thought fit, approving the Contribution Agreement and the transactions contemplated thereunder
“Establishment Date”	the date on which the condition precedent for the Contribution Agreement is fulfilled (or such later date as the JV Partners may agree)

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## DEFINITIONS

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“FFG European”	a shelf company to be transferred from the Incorporation Agent to the JV Partners and renamed as FFG European Holding GmbH, which is a limited liability company incorporated under the laws of Germany ( <i>Gesellschaft mit beschränkter Haftung; GmbH</i> )
“Full Alliance”	Full Alliance Investment Limited (富聯投資有限公司), a limited liability company incorporated in the British Virgin Islands
“Further Capital”	<i>Eigenkapital</i> , in the total amount of Euro 110,000,000.00 (equivalent to RMB748,000,000.00), to be further injected by the JV Partners pursuant to the Contribution Agreement
“Golden Wealth”	Golden Wealth Inc Limited (金輝富有限公司), a limited liability company incorporated in Hong Kong
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong GF”	Good Friend (H.K.) Corporation Limited, a company incorporated in Hong Kong with limited liability, the beneficial owner of 232,000,000 Shares (representing approximately 57.54% of the total issued share capital of the Company as at the Latest Practicable Date) and is owned as to approximately 99.99% by Taiwan FF
“Incorporation Agent”	Quickstart-Vorratsgesellschaften GmbH, a limited liability company incorporated under the laws of Germany ( <i>Gesellschaft mit beschränkter Haftung; GmbH</i> ), a company incorporation agent. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, the Incorporation Agent and its ultimate beneficial owners are third parties independent of the Group and its connected persons
“Independent Board Committee”	a committee of the Board comprising Mr. Koo Fook Sun, Louis, Mr. Chiang Chun-Te and Mr. Yu Yu-Tang, all being independent non-executive Directors, to advise the Independent Shareholders on the Contribution Agreement and the transactions contemplated thereunder

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## DEFINITIONS

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“Independent Shareholder(s)”	Shareholder(s) other than Hong Kong GF and if any, any other Shareholder(s) with a material interest in the Contribution Agreement and the transactions contemplated thereunder who is(are) required to abstain from voting at the EGM pursuant to the Listing Rules
“JV Partners”	Sky Thrive, Mega Grant, Golden Wealth, Full Alliance, Taiwan FF and Leadwell
“Latest Practicable Date”	3 December 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Leadwell”	Leadwell CNC Machines Mfg., Corp (台灣麗偉電腦機械股份有限公司), a limited liability company incorporated in Taiwan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long-Stop Date”	31 December 2015 (or such later date as the JV Partners may agree)
“Mega Grant”	Mega Grant Limited (萬佳有限公司), a limited liability company incorporated in the British Virgin Islands
“percentage ratios”	has the same meaning ascribed thereto under the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this circular and unless context suggests otherwise, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) of nominal value HK\$ 0.01 each in the share capital of the Company

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## DEFINITIONS

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“Sky Thrive”	Sky Thrive Hong Kong Enterprise Limited (天盛香港實業有限公司), 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
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Taiwan FF”	Fair Friend Enterprise Company Limited, a limited liability company incorporated in Taiwan on 15 March 1979, a controlling Shareholder
“Euro”	Euro, the lawful currency of the member states of the European Union
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

*For the purpose of this circular, the exchange rate of Euro 1 = RMB6.80 has been used which is an approximate and for illustration only. It does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.*

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**LETTER FROM THE BOARD**

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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)**

*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

4 December 2015

*To the Shareholders*

Dear Sirs,

**MAJOR TRANSACTION AND CONNECTED TRANSACTION  
FORMATION OF JOINT VENTURE AND  
CAPITAL INJECTION**

**INTRODUCTION**

Reference is made to the Announcement regarding the Contribution Agreement entered into amongst Sky Thrive, Mega Grant, Golden Wealth, Full Alliance, Taiwan FF and Leadwell on 5 November 2015, pursuant to which the JV Partners conditionally agreed to establish FFG European and to inject capital therein.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) further details of the Contribution Agreement and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Contribution Agreement and the transactions contemplated thereunder; (iii) a letter from Altus Capital containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Contribution Agreement and the transactions contemplated thereunder; and (iv) the notice of EGM.

### CONTRIBUTION AGREEMENT

#### 1. Date

5 November 2015

#### 2. Parties

- (i) Sky Thrive, a wholly-owned subsidiary of the Company;
- (ii) Mega Grant;
- (iii) Golden Wealth;
- (iv) Full Alliance;
- (v) Taiwan FF, a controlling Shareholder; and
- (vi) Leadwell.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Mega Grant, Golden Wealth, Full Alliance and Leadwell (except as to approximately 15.58% of its shares held by Taiwan FF) and their respective ultimate beneficial owners are third parties independent of the Group and its connected persons.

#### 3. Condition precedent

The obligations and performances of the terms of the Contribution Agreement by the JV Partners are conditional upon all necessary approvals, consents and permissions required under the laws and regulations applicable to the execution of the Contribution Agreement and the performance of the transactions thereunder (including in the case of Sky Thrive, the approval from the Independent Shareholders at an extraordinary general meeting under the Listing Rules) having been obtained by the Long-Stop Date.



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## LETTER FROM THE BOARD

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### 4. Establishment of FFG European

The JV Partners will establish the joint venture by way of a transfer of the initial nominal share capital of FFG European from the Incorporation Agent to the JV Partners in the respective approximate proportions as follows:-

Shareholding percentages:	(i)	45.00% by Sky Thrive;
	(ii)	18.70% by Mega Grant;
	(iii)	9.00% by Golden Wealth;
	(iv)	17.00% by Full Alliance;
	(v)	3.60% by Taiwan FF; and
	(vi)	6.70% by Leadwell.

Initial capital and fees:	The total amount of initial capital and fees is Euro 28,000.00 (equivalent to RMB190,400.00), of which Euro 3,000.00 (equivalent to RMB20,400.00), representing the fees charged by the Incorporation Agent and Euro 25,000.00 (equivalent to RMB170,000.00), representing the payment for the initial nominal share capital of FFG European, will be paid to the Incorporation Agent.
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Payment for the initial capital will be satisfied by the JV Partners in cash in accordance with their respective percentage shareholdings (i.e. Sky Thrive will pay Euro 12,600.00 (equivalent to RMB85,680.00)) on the Establishment Date.

### 5. Capital injection

The JV Partners will, following the establishment of FFG European, provide Further Capital to FFG European in the total amount of Euro 110,000,000.00 (equivalent to RMB748,000,000.00), to fund its potential future acquisition of suitable machine tools manufacturers and for its future operations, in the following manner:-

Agreement to provide Further Capital:	Pursuant to the Contribution Agreement, all Further Capital will be payable in cash to FFG European by the JV Partners anytime on or before 30 November 2016 (or such later date as the JV Partners may agree) on a pro rata basis as follows:-
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Sky Thrive – Euro 49,500,000.00 (equivalent to RMB336,600,000.00);

Mega Grant – Euro 20,570,000.00 (equivalent to RMB139,876,000.00);

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## LETTER FROM THE BOARD

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Golden Wealth – Euro 9,900,000.00 (equivalent to RMB67,320,000.00);

Full Alliance – Euro 18,700,000.00 (equivalent to RMB127,160,000.00);

Taiwan FF – Euro 4,000,000.00 (equivalent to RMB27,200,000.00); and

Leadwell – Euro 7,330,000.00 (equivalent to RMB49,844,000.00).

It is intended that when the acquisition of any potential target by FFG European is confirmed, the JV Partners will provide Further Capital to FFG European on a pro rata basis up to the amount sufficient for such acquisition.

The amount of Further Capital represents the amount the JV Partners are willing to commit, after arm's length negotiation, in relation to the potential acquisition by FFG European of suitable machine tools manufacturers (including one potential target currently identified, which is a well-established machine tools manufacturer in operation for more than 10 years, owning leading brands in high-end machine tools favoured by renowned automobile manufacturers, with market presence in Germany and Europe, worldwide recognition and 5 production sites in Europe and the United States with more than a thousand employees) which are well-established and with global presence or focus on the automotive industry that are of acquisition potential. When determining the amount of Further Capital, reference was made to the estimated consideration necessary to finance the acquisition of the one potential target currently identified. The JV Partners have not reached any decision on acquiring such potential target, and if such acquisition does not materialise, the estimated consideration for other suitable machine tools manufactures with business scale, market presence, market recognition and manufacturing capabilities comparable to the potential target currently identified is estimated to similarly be approximately Euro 110,000,000.00 (equivalent to RMB748,000,000.00). Save for the aforesaid initial capital and Further Capital, the JV Partners and the Company currently do not expect any additional capital commitments to be made to FFG European. Should additional capital be required subsequent to the provision of the Further Capital, the JV partners would provide such additional capital on a pro rata basis according to their respective shareholding interest in FFG European, and such additional funding may be subject to the requirements of the Listing Rules (including the disclosure, shareholders' approval, and aggregation requirements, if applicable).

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## LETTER FROM THE BOARD

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It is expected that the payment for the initial capital and Further Capital payable by Sky Thrive would be funded by the internal resources of the Group including cash in bank and unutilised banking facilities from time to time, and no fund raising activity is expected to be conducted for such payment.

It is agreed that if no potential future acquisition materialises, or no acquisition target can be identified by 30 November 2016 (or such later date as the JV Partners may agree), the JV Partners will not be obliged to provide the Further Capital and FFG European will be wound up and the JV Partners will be distributed and repaid in full in accordance with applicable law.

### REASONS FOR AND BENEFITS OF THE JOINT VENTURE

The machine tools business is the core business of the Group, as major customers of which include manufacturers in the automotive industry.

The formation of FFG European as an investment holding company would provide a forum for the strategic consortium of JV Partners to pool together their respective resources, capabilities and industry expertise to evaluate the potential future acquisition of suitable machine tools manufacturers with a global presence and/or focus on the automotive industry, share in the associated risks and reduce the amount of equity the Group has to contribute if the potential acquisition were to proceed.

The JV Partners have currently identified one such potential target, with leading brands in high-end machine tools favoured by renowned automobile manufacturers and global presence in three continents. It is expected that, such potential acquisition by FFG European (with Sky Thrive being the single largest shareholder of FFG European), if materialised, would have positive effect on the Group's product portfolio, allowing it with access to a richer and further diversifying range of products and enhance its investment portfolio overseas.

In view of the aforesaid, the Board (excluding the independent non-executive Directors whose views are set out in the section headed "*Letter from Altus Capital*" after taking into account the advice of Altus Capital) considers that the terms and conditions of the Contribution Agreement and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### INFORMATION ABOUT THE GROUP AND THE JV PARTNERS

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

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## LETTER FROM THE BOARD

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Mega Grant and Full Alliance are principally engaged in investment holding, with major investments in companies in Taiwan which produce machine tools.

Golden Wealth is principally engaged in investment holding, with major investments in companies which produce machine tools. Both the Group and Golden Wealth are shareholders as to 39.00% and 14.00% of the issued share capital of FFG Werke GmbH, a company principally engaged in the development, manufacturing and sale of machine tools and production systems.

Taiwan FF, being a 99.99% shareholder of Hong Kong GF which holds approximately 57.54% of the total issued share capital of the Company as at the Latest Practicable Date, is a conglomerate in Taiwan and has investments in a wide range of businesses such as production of CNC machine tools, three-dimensional car parking garage structures and construction machinery.

Leadwell is principally engaged in manufacturing, processing and dealing in machine tools and CNC machines and is owned as to 15.58% by Taiwan FF. Leadwell holds the entire issued share capital of World Ten Limited, which holds 37.00% of the issued share capital of FFG Werke GmbH.

### FINANCIAL EFFECT OF THE JOINT VENTURE

Upon completion of the formation of FFG European, FFG European will be accounted for in the consolidated accounts of the Company as an “interest in associate” and the amount of capital contribution provided by the Group will continue to be recognised in its financial statements, the net assets position of the Group is expected to remain materially unchanged. As FFG European will be newly formed and the capital injection is expected to be funded from the internal resources of the Group, the establishment of FFG European and the capital injection are not expected to have any material impact on the earnings position of the Group.

### LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios for the establishment of FFG European and capital injection is more than 25% but all are less than 75%, the establishment of FFG European and capital injection constitute a major transaction of the Company for the purpose of Chapter 14 of the Listing Rules. Since Taiwan FF is a controlling Shareholder and a connected person of the Company, the establishment of FFG European and capital injection pursuant to the Contribution Agreement would constitute a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules. The establishment of FFG European and capital injection pursuant to the Contribution Agreement is subject to reporting, announcement and Independent Shareholders’ approval requirements under the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to, among other things, the Contribution Agreement and the transactions contemplated thereunder. Altus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM THE BOARD

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

### EGM AND ACTIONS TO BE TAKEN

The EGM will be held at 3:00 p.m. on Monday, 21 December 2015 at 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong to consider and, if thought fit, approve the Contribution Agreement and the transactions contemplated thereunder.

A notice convening the EGM is set out on pages 34 to 35 of this circular. A proxy form for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM or any adjournment thereof, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

Shareholders and their associates with a material interest in the Contribution Agreement and the transactions contemplated thereunder will abstain from voting upon the relevant resolution at the EGM. In this respect, Hong Kong GF, being held as to 99.99% by Taiwan FF and interested in approximately 57.54% of the total issued share capital of the Company as at the Latest Practicable Date, and Sunward Gold Global Investments Limited, a company held as to approximately 72.22% by Mr. Chu Chih-Yaung, and any of their respective associates are required to abstain from voting in relation to the relevant resolution at the EGM. As at the Latest Practicable Date, Hong Kong GF and its associates in aggregate control or are entitled to exercise control over the voting right in respect of 232,000,000 Shares, and Sunward Gold Global Investments Limited and its associates in aggregate control or are entitled to exercise control over the voting right in respect of 20,000,000 Shares.

Mr. Chen Hsiang-Jung, an executive Director, is interested in 1.9% of total issued share capital of and did not hold any management or executive role in Taiwan FF. Accordingly, Mr. Chen Hsiang Jung was not considered to be having a material interest in the Contribution Agreement and the transactions contemplated thereunder and was therefore not required to abstain from voting on the relevant Board resolution.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Board, other than Mr. Chu Chih-Yaung, is of the view that the terms of the Contribution Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and are fair and reasonable. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant resolution at the EGM.

### ADDITIONAL INFORMATION

Your attention is also drawn to:

- (a) the letter from the Independent Board Committee, the text of which is set out on page 13 of this circular;
- (b) the letter from Altus Capital, the text of which is set out on pages 14 to 24 of this circular; and
- (c) the additional information set out in the appendices to this circular.

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

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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)**

4 December 2015

*To the Independent Shareholders*

Dear Sirs,

**MAJOR TRANSACTION AND CONNECTED TRANSACTION  
FORMATION OF JOINT VENTURE AND  
CAPITAL INJECTION**

The Independent Board Committee has been established to consider and to advise you on the terms of the Contribution Agreement and the transactions contemplated thereunder, details of which are set out in the circular issued by the Company to the Shareholders dated 4 December 2015 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires. Altus Capital has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in this matter.

Under Chapter 14A of the Listing Rules, the transactions contemplated under the Contribution Agreement constitute a connected transaction for the Company and are thus subject to the approval of the Independent Shareholders.

We wish to draw your attention to the letter from the Board and the letter of advice from Altus Capital set out on pages 5 to 12 and pages 14 to 24 of the Circular respectively.

Having considered the terms of the Contribution Agreement and the advice of Altus Capital in relation thereto as set out on pages 14 to 24 of the Circular, we are of the opinion that while the Contribution Agreement was not entered into in the ordinary and usual course of business of the Group, the terms of the Contribution Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Contribution Agreement and the transactions contemplated thereunder.

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*

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## LETTER FROM ALTUS CAPITAL

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*The following is the text of a letter of advice from Altus Capital to the Independent Board Committee and the Independent Shareholders in respect of the formation of joint venture and capital injection, which has been prepared for the purpose of incorporation in this circular.*

### **ALTUS CAPITAL LIMITED**

21 Wing Wo Street  
Central, Hong Kong

4 December 2015

*To the Independent Board Committee and  
the Independent Shareholders*

#### **Good Friend International Holdings Inc.**

Room 2003, 20th Floor  
Kai Tak Commercial Building  
317-319 Des Voeux Road Central  
Hong Kong

Dear Sir or Madam,

### **MAJOR AND CONNECTED TRANSACTION FORMATION OF JOINT VENTURE AND CAPITAL INJECTION**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the formation of joint venture and capital injection. Details of the transaction are set out in the “Letter from the Board” contained in the circular of the Company dated 4 December 2015 (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 5 November 2015, the Group announced that Sky Thrive (being a wholly-owned subsidiary of the Company), Mega Grant, Golden Wealth, Full Alliance, Taiwan FF and Leadwell entered into the Contribution Agreement, pursuant to which the JV Partners have conditionally agreed to establish FFG European. FFG European will be owned as to approximately 45.0% by Sky Thrive, 18.7% by Mega Grant, 9.0% by Golden Wealth, 17.0% by Full Alliance, 3.6% by Taiwan FF and 6.7% by Leadwell.



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## LETTER FROM ALTUS CAPITAL

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The JV Partners agreed, following the establishment of FFG European, to provide Further Capital to FFG European in the total amount of Euro110 million to fund its potential future acquisition of suitable machine tools manufacturers and for its future operations. All Further Capital will be payable in cash on or before 30 November 2016 (or such later date as the JV Partners may agree) on a pro rata basis.

As one or more of the applicable percentage ratios for the establishment of FFG European and capital injection is more than 25% but all are less than 75%, the establishment of FFG European and capital injection constitute a major transaction of the Company for the purpose of Chapter 14 of the Listing Rules. Since Taiwan FF is a controlling Shareholder and a connected person of the Company, the establishment of FFG European and capital injection pursuant to the Contribution Agreement would constitute a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules. The establishment of FFG European and capital injection pursuant to the Contribution Agreement is subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

### **THE INDEPENDENT BOARD COMMITTEE**

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

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

### **BASIS OF OUR OPINION**

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

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## LETTER FROM ALTUS CAPITAL

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

### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

#### 1. Information of the Group

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

##### 1.1 Historical financial information

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

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

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## LETTER FROM ALTUS CAPITAL

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

*Source: 2014 Annual Report and 2015 Interim Report*

### *Year ended 31 December 2014*

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

### *Six months ended 30 June 2015*

As mentioned in the 2015 Interim Report, the Group recorded revenue of approximately RMB513.5 million, representing a decrease of approximately 24.6% as compared to the corresponding period in 2014. The decrease was mainly due to the decrease in sales of both CNC machine tools business and

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

### ***1.2 Prospects of the Group***

The Directors are of the view that the formulation of the 12th Five Year Plan (for 2011 to 2015) by the PRC central government is expected to stimulate demand for machine tools from the industries of high-speed railway, aerospace, motor vehicle and energy, especially demand for high-end CNC machine tools, which in turn is expected to benefit the Group's CNC machine tools business. The Group will continue to explore and sell such high-end CNC machine tools products (the production of which is primarily in Italy and Germany) to its customers. Notwithstanding this, in view of the recent market conditions, the Directors expect the operating environment in 2015 will continue to be challenging and the Group intends to strengthen its business foundation under a consistent and cautious manner in order to maintain its competitiveness. On the other hand, the Management will continue to look for appropriate investing projects or acquisition activities so as to increase the competitive edge of the Group. The Group is committed to becoming an international CNC machine tools manufacturer. The Management is optimistic on the long-term development and prospects of the Group.

Based on the global development of the CNC machine tools market, and also Japan's recent launch of its new passenger plane in nearly four decades, the Directors' are of the view that market opportunities for the Group are optimistic. According to the Management, it is noted that in terms of global trend, Germany and Italy has been the first place and third place exporter of machine tools in 2013 and 2014 consecutively. Accordingly, the Directors consider that in order for the Group to stay competitive, it would be commercially justifiable to continue to source and/or produce such high-end CNC machine tools from the abovementioned European countries to its customers.

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## LETTER FROM ALTUS CAPITAL

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### 2. The Contribution Agreement

On 5 November 2015, Sky Thrive (being a wholly-owned subsidiary of the Company), Mega Grant, Golden Wealth, Full Alliance, Taiwan FF and Leadwell entered into the Contribution Agreement and conditionally agreed to establish FFG European. Subsequent to the establishment of FFG European, the JV Partners will provide Further Capital to FFG European in the total amount of Euro110 million (equivalent to RMB748 million<sup>1</sup>) to fund its potential future acquisition of suitable machine tools manufacturer and for its future operations. Set out below is the shareholding percentage and amount of Further Capital to be provided by each JV Partner.

JV Partners	Shareholding percentage in FFG European	Amount of Further Capital to be provided	
	%	Euro'000	%
Sky Thrive (being a wholly-owned subsidiary of the Company)	45.0%	49,500	45.0
Mega Grant	18.7%	20,570	18.7
Golden Wealth	9.0%	9,900	9.0
Full Alliance	17.0%	18,700	17.0
Taiwan FF	3.6%	4,000	3.6
Leadwell	6.7%	7,330	6.7
<b>Total</b>	<b>100.0%</b>	<b>110,000<sup>1</sup></b>	<b>100.0</b>

<sup>1</sup> For the purpose of this letter, the exchange rate of Euro1 = RMB6.80 has been used which is an approximation and is for illustration only.

The Further Capital will be used by FFG European for (i) potential future acquisition of suitable machine tool manufactures with global presence or focus on the automotive industry that are of acquisition potential; and (ii) general working capital for its future operations. As FFG European is yet to be established, the memorandum and articles of association are not available. Notwithstanding the above, the Management has advised that the Group, through Sky Thrive, shall have the right to appoint a proportionate representation on the board of directors of FFG European, which ensures the Group will continue to be involved in the strategic decision making of FFG European. We have also reviewed the Contribution Agreement and noted that the purpose of forming FFG European and the injection of the Further Capital is only for the potential acquisition as described above. Accordingly, we are of the view that this provides protection to the Group, such that their contributed capital would be deployed only for proper purposes.

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We note that the respective amounts which the JV Partners are willing to commit are determined based on arm's length negotiation. Based on the fact that the amount of Further Capital to be provided by each JV Partner is proportionate to their respective shareholding interest in FFG European, we are of the view that the basis of determining the capital injection is fair and reasonable. Further, we also understand from the Management that should additional capital be required subsequent to the provision of the Further Capital, the JV partners would provide such additional capital on a pro rata basis according to their respective shareholding interest in FFG European. Although this arrangement on additional funds is not stated in the Contribution Agreement, the parties to the Contribution Agreement have such an understanding. On the basis of this understanding and the additional funding may be subject to the relevant disclosure and shareholders' approval requirements of the Listing Rules, we are of the view that this arrangement of providing additional capital on a pro rata basis is fair and reasonable.

As disclosed in the "Letter from the Board" of the Circular, the JV Partners have currently identified one potential target for acquisition by FFG European. Based on our discussions with the Management, we understand that the JV Partners would consider the potential to acquire more than one suitable target, and the total amount of Further Capital of Euro110 million (equivalent to RMB748 million) was determined taking into account of the potential consideration required for the acquisition of such potential targets. According to the Management, one potential target is a well-established, leading machine tools manufacturer with a global presence. Since the Management has not reached any decision on the potential acquisition target, neither the consideration nor the valuation of any consequential potential offer has been determined. Although nothing has been determined (including the valuation methodology and basis) as mentioned above, the Management has made reference to the currently available preliminary information on business scale of one such identified potential acquisition target. Based on our discussions with the Management and our review of the company profile with regard to the background and business scale (such as its stage of development having an operating history of over 10 years, its market presence in Germany and Europe and recognition worldwide, manufacturing capabilities in Europe, North America and Asia and management experience) of one potential acquisition target, the Further Capital is within the range of funds necessary to finance the consideration for the abovementioned potential acquisition and/or comparable acquisitions which suit the JV Partners' selection criteria, being well-established, leading machine tools manufacturers with global presence and focus on high-end products.

We also note that pursuant to the Contribution Agreement, if no potential future acquisition materialises, or no acquisition target can be identified by 30 November 2016, the JV Partners will not be obliged to provide the Further Capital and FFG European will be wound up. In relation to this, we understand from the Management that in the event of such winding up, any sum of Further Capital injected into FFG European on or before 30 November 2016 by the JV Partners (less any set up and administrative expenses) would be repaid in full to each of them in proportion to their respective shareholding interest in FFG European. Accordingly, we consider that the capital to be injected by the Group would be safeguarded by this clause should FFG European fail to acquire potential targets.

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It is noted that the JV Partners will provide Further Capital to FFG European when the acquisition of any potential target is confirmed. In that circumstances, it is unlikely that Further Capital injected into FFG European by the JV Partners (up to a total of Euro110 million or equivalent to RMB748 million) will be locked up and laid idle till 30 November 2016 if the potential acquisition does not materialise. This is in the interests of the Company and the Shareholders as a whole.

In summary, based on the above analysis, we consider the terms of the Contribution Agreement to be normal commercial terms negotiated among the JV Partners. In addition, taking into account (i) the pro rata capital injection by the Group and the JV partners based on their respective shareholding interests in FFG European; (ii) that the terms of the Contribution Agreement are equitable among all parties and no less favourable to the Group upon formation of FFG European; and (iii) the Group, through Sky Thrive, shall have the right to appoint a proportionate representation on the board of directors of FFG European, which ensures the Group will continue to be involved in the strategic decision making of FFG European, we are of the view that the terms of the Contribution Agreement to be fair and reasonable.

### **3. Financial position of the Group**

Pursuant to the Contribution Agreement, the Further Capital is payable in cash on or before 30 November 2016. In relation to this, we note that the Group's injection of its share of Euro49.5 million (equivalent to RMB336.6 million) could be conducted over a period of almost one year, which would not cause immediate financial pressure to the Group. As disclosed in the 2015 Interim Report, the Group has cash and cash equivalents balance of approximately RMB247.3 million (equivalent to approximately Euro36.4 million), borrowings of approximately RMB475.2 million (equivalent to approximately Euro69.9 million) and restricted and term deposits of approximately RMB217.7 million (equivalent to approximately Euro32.0 million) as at 30 June 2015, Furthermore, according to management accounts as at 30 October 2015, the Group has unutilised banking facilities of approximately RMB529.6 million (equivalent to approximately Euro77.9 million). Based on the above, we are of the view that the Group has sufficient financial resources to invest into FFG European.

We note that the formation of FFG European would provide a platform for the JV Partners to pool together their respective financial resources and industry expertise to identify and evaluate suitable potential acquisition targets. In this respect, if the potential acquisition were to materialise, the JV Partners would share the risks of the potential acquisition and the Group could reduce the amount of capital needed to be provided by it, as opposed to investing in any potential target by itself. In substance, we note that the JV arrangement benefits the Group in terms of risk diversification and accordingly is fair and reasonable.

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### 4. Rationale of entering into the Contribution Agreement

The machine tools business is the core business of the Group, with major customers being manufacturers in the automotive industry. Based on the objective for the formation of FFG European and the capital injection in preparation of the potential acquisition of suitable machine tools manufacturers with global presence or focus on the automotive industry, we are of the view that the entering into of the Contribution Agreement is in line with the Group's business objective. We note that the entering into of the Contribution Agreement facilitates the formation of FFG European and the capital injection in preparation of the potential acquisition as mentioned above supports the Group's expansion of its machine tools business. As the Group is a machine tools manufacturer and distributor, the expansion of its machine tools business by means of acquisition to be financed by means of the Contribution Agreement is within the ordinary course of business of the Group. We also note that the entering into of the Contribution Agreement is merely the preliminary stage of the Group and the JV Partners' acquisition plan; and does not represent that the Group and the JV Partners have finalised any plans to acquire any targets at all. The setting up of FFG European and the capital injection is merely made in anticipation of potential acquisitions and demonstrate the JV Partners' readiness and financial capabilities to enter into such acquisition transactions. Going forward, any acquisition transactions that may materialise would be subject to relevant Listing Rules requirements and shareholders' approval where necessary.

As disclosed in the "Letter from the Board" of the Circular, the JV Partners have currently identified one potential target for acquisition, which is a leading machine tools manufacturer focusing on the automotive industry with a strong foundation and global presence. Based on the alignment of the potential acquisition with the Group's business objective, we are of the view that the acquisition, if proceeded, would have a positive effect on the Group's business by enhancing its product portfolio, in particular for the automotive industry, as well as to strengthen the Group's product diversification strategy into the high-end machine tools segment by leveraging on the potential target's expertise. Furthermore, the potential acquisition has the potential to derive economies of scale in manufacturing, sourcing, sales as well as promoting synergies in research and development and production process. Based on the Group and the JV Partners' criteria to target leading machine tools manufacturers, we are of the view that the abovementioned benefits are applicable not only to the currently identified potential target, but also other suitable acquisition targets meeting FFG European's selection criteria. Based on the above analysis, we are of the view that the entering into of the Contribution Agreement is commercially justifiable and fair and reasonable.



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## LETTER FROM ALTUS CAPITAL

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We note that the current arrangement to invest in FFG European is similar to the Group's previous arrangement to invest in FFG Werke GmbH (“**FFG Werke**”), in particular the terms of both joint venture agreements are largely similar. As disclosed in the Company's circular dated 28 October 2015, it is noted that FFG Werke has developed well where its sales has increased substantially since incorporation. Based on our discussions with the Management and our review of available information with regard to the background and business scale of one such identified potential acquisition target as mentioned above, we note that unlike FFG Werke, which was a start-up company at the time when the Group invested in it, the current potential target is a well-established company which has been in operation for more than 10 years with established market presence and recognition as well as existing banking relationships. Since this potential target is a relatively mature company as compared to FFG Werke, the Directors believe and we concur that through its ongoing business and existing banking relationships, the target should be able to finance its operations and as such the Group presently does not foresee the need to provide financial assistance to such potential target after acquisition. Accordingly, we concur with the views of the Directors that the entering into of the Contribution Agreement facilitates the formation of FFG European and the capital injection in preparation of the potential acquisition as mentioned above supports the Group's expansion of its machine tools business. We are of the view that this represents a promising business endeavour for the Group and is therefore commercially justifiable and fair and reasonable.

### **RECOMMENDATION**

In summary, having considered the above principal factors and reasons, we are of the view that the (i) Contribution Agreement is entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Contribution Agreement and the transaction contemplated thereunder are on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Contribution Agreement and the transaction contemplated thereunder at the EGM.

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

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## LETTER FROM ALTUS CAPITAL

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

With the exception of (i) the transaction involving the provision of financial assistance made by the Group to FFG Werke GmbH as described in the circular of the Company dated 22 July 2014; (ii) the transaction involving the acquisition of 25.5% equity interest in FFG Werke GmbH as described in the circular of the Company dated 7 September 2015; and (iii) the transaction involving the provision of financial assistance made by the Group to FFG Werke GmbH as described in the circular of the Company dated 28 October 2015, Altus Capital Limited has not acted as an independent financial adviser of the Company’s other transactions in the last two years from the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on this is at a market level and is not conditional upon successful passing of the resolution and that our engagement is on normal commercial terms, Altus Capital Limited is independent of the Company.

**1. AUDITED FINANCIAL INFORMATION OF THE GROUP**

The audited consolidated financial statements of the Group, together with the accompanying notes, for each of the three years ended 31 December 2012, 2013 and 2014 are disclosed in the annual reports of the Company for the financial years ended 31 December 2012 (pages 42-111), 31 December 2013 (pages 42-121), and 31 December 2014 (pages 44-121), respectively, and are incorporated by reference into this circular.

The said annual reports of the Company are available on the Company's website at [www.goodfriend.hk](http://www.goodfriend.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) through the links below:–

Annual report for the year ended 31 December 2012:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0411/LTN20130411446.pdf>

Annual report for the year ended 31 December 2013:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0429/LTN20140429614.pdf>

Annual report for the year ended 31 December 2014:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0424/LTN201504241173.pdf>

**2. INDEBTEDNESS STATEMENT**

As at the close of business on 31 October 2015, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to printing of this circular, the Group had total outstanding borrowings of approximately RMB296,190,000.00. Amongst this, approximately RMB57,780,000.00 was secured by irrevocable standby letter of credits issued by banks in the PRC.

The Group had pledged land use rights and buildings with an aggregate carrying amount of RMB8,755,000.00 as at 31 October 2015 in order to secure banking facilities granted to the Group.

As at 31 October 2015, the Group had restricted bank deposits with an amount of approximately RMB188,478,000.00 which mainly represented deposits placed in banks for guarantees issued for finance facilities used by the Group.

On 9 July 2014, FFG Werke GmbH and Sky Thrive entered into a guarantee procurement deed, pursuant to which Sky Thrive agreed to procure the issuance of the bank guarantees for the business operation of FFG Werke GmbH with maximum aggregate amount not exceeding Euro 10,600,000.00 (equivalent to RMB72,080,000.00). As at 31 October 2015, Sky Thrive has arranged the aforesaid bank guarantees of total amount of Euro 9,134,000.00 (equivalent to RMB62,111,200.00).

Save as aforesaid and apart from the intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 October 2015, the Group did not have any other debt securities, issued and outstanding, and authorised or otherwise created but unissued, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase or finance lease commitments, mortgages, charges, material contingent liabilities, guarantees, debentures, loans or similar indebtedness.

### **3. WORKING CAPITAL SUFFICIENCY**

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

### **4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

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

FFG Werke GmbH is principally engaged in the development, manufacturing and sale of quality machine tools and production systems and owns renowned machine tools brands. In belief that FFG Werke GmbH would provide the Group with access to renowned brands of the industrial equipment business and enable the Group to diversify its product coverage and broaden its customer base, the Group has on 23 September 2015 completed the acquisition of and increased its shareholding interest in FFG Werke GmbH from 13.5% to 39.0%.

China’s economy came to a “new normal state”. Looking ahead to the remaining period of the year, the economy of China will still face challenges but economic growth should be on a more balanced and sustainable track. China is the largest machine tools consuming country. It is anticipated that the demand for machine tools from the industries of high-speed railway, transit rails, aerospace, and energy in China, especially demand for high-end CNC machine tools, would still be great. This in turn will benefit the Group’s CNC machine tools business. The Group will

continue to explore and sell those high-end CNC machine tools products (production of such primarily from Italy and Germany) to the customers. The management believes that with its extensive sales network and comprehensive aftersales service, solid business foundation as well as outstanding product quality, the Group is capable of meeting customers' different needs and continue to strengthen its market position.

Looking ahead, with the current complex economic environment, the Group will continue to strengthen its business foundation under a consistent cautious manner under tough market environment, in order to weather against the volatility and uncertainty of the market condition ahead. On the other hand, the management will continue to look for investing projects, merger and acquisition activities to augment its business chains and high yield opportunities to expand its reach in the global machine tools market and diversify the range and reach of its products and businesses, with a view to sustaining a long-term competitive edge and to generate added value for the Group, its customers and the Shareholders.

## 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 AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

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

### (a) Long positions in the Shares

Name of Director	Nature of interest	Total number of Shares held	Approximate percentage of shareholdings in the Company as at the Latest Practicable Date
Mr. Chu Chih-Yaung	Interest in controlled corporation	20,000,000 (Note)	4.96%

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

## (b) Long positions in the shares of associated corporations of the Company

Name of Director	Name of associated corporations	Nature of interest	Number and class of securities	Approximate percentage of shareholdings in the associated corporations as at the Latest Practicable Date
Mr. Chu Chih-Yaung	Taiwan FF	Beneficial owner	15,720,255 ordinary shares	15.35%
	Taiwan FF	Spouse interest (Note 1)	2,733,926 ordinary shares	2.67%
	Fair Fine (Hongzhou) Industrial Co., Ltd. (Note 2)	Beneficial owner	750 ordinary shares	0.03%
Mr. Chen Hsiang-Jung	Taiwan FF	Beneficial owner	1,948,553 ordinary shares	1.90%
	Fair Fine (Hongzhou) Industrial Co., Ltd. (Note 2)	Beneficial owner	750 ordinary shares	0.03%

*Note:*

- (1) Ms. Wang Tz-Ti (formerly known as Wang Jin-Zu) (“Ms. Wang”), the spouse of Mr. Chu Chih-Yaung, held 2.67% of the issued share capital of Taiwan FF. Mr. Chu Chih-Yaung was deemed to be interested in all the shares held by Ms. Wang in Taiwan FF under the SFO.
- (2) Fair Fine (Hongzhou) Industrial Co., Ltd. is a non-wholly-owned subsidiary of Taiwan FF and is therefore an associated corporation of the Company for the purpose of the SFO.

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

**3. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS**

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

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

**4. COMPETING INTERESTS**

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

**5. DIRECTORS' SERVICE CONTRACT**

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

**6. MATERIAL ADVERSE CHANGE**

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

**7. MATERIAL LITIGATION**

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



## 8. MATERIAL CONTRACTS

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

- (a) the guarantee procurement deed dated 9 July 2014 entered into between Sky Thrive and FFG Werke GmbH, pursuant to which Sky Thrive had agreed to procure the issuance of bank guarantees for FFG Werke GmbH's business operation;
- (b) a sale and purchase agreement dated 17 August 2015 entered into amongst Sky Thrive, Golden Friendship and World Ten Limited pursuant to which Sky Thrive agreed to acquire from Golden Friendship and World Ten Limited an aggregate of approximately 25.5% equity interest in FFG Werke GmbH for the aggregate consideration of Euro 2,340,000.00 (equivalent to RMB15,912,000.00);
- (c) an engagement letter dated 25 September 2015 entered into amongst BNP Paribus, the Company and FFG Werke GmbH pursuant to which BNP Paribus would arrange a revolving loan facility for the maximum principal amount of Euro 50 million (equivalent to RMB340 million) to be available to the Company and FFG Werke GmbH; and
- (d) the Contribution Agreement.

## 9. EXPERT AND CONSENT

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

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

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

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

Altus Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 4 December 2015 (as set out on pages 14 to 24 of and made for incorporation in this circular) and references to its name in the form and context in which they respectively appear.

#### 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the following documents will be available for inspection during normal business hours on any weekday (public holidays excepted) from the date of this circular up to 14 days thereafter/up to and including the date of the EGM at the office at Room 2003, 20th Floor, Kai Tak Commercial Building, 317-319 Des Vouex Road Central, Hong Kong:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the paragraph headed “*Material Contracts*” in this appendix;
- (c) the Contribution Agreement;
- (d) the letter from the Independent Board Committee to the Independent Shareholders dated 4 December 2015, the full text of which is set out on page 13 of this circular;
- (e) the letter from Altus Capital to the Independent Board Committee and the Independent Shareholders dated 4 December 2015, the full text of which is set out on pages 14 to 24 of this circular;
- (f) the written consent of Altus Capital dated 4 December 2015 referred to in the paragraph headed “*Expert and Consent*” in this appendix;
- (g) the annual reports of the Company for the two financial years ended 31 December 2013 and 2014;

- (h) the circular dated 7 September 2015 in relation to the acquisition of 25.5% equity interest in FFG Werke GmbH;
- (i) the circular dated 28 October 2015 in relation to the provision of financial assistance to FFG Werke GmbH; and
- (j) this circular.

**11. GENERAL**

- (a) The company secretary of the Company is Mr. Lo Tai On, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

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## NOTICE OF EGM

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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)**

### 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 3:00 p.m. on Friday, 21 December 2015 at 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing with or without modifications the following as an ordinary resolution of the Company:–

#### ORDINARY RESOLUTION

“**THAT** the contribution agreement dated 5 November 2015 (the “**Contribution Agreement**”) (a copy of which marked “A” has been produced to the Meeting and initialled by the chairman of the Meeting for identification purpose) entered into amongst Sky Thrive Hong Kong Enterprise Limited, a wholly-owned subsidiary of the Company, Mega Grant Limited, Golden Wealth Inc Limited, Full Alliance Investment Limited, Fair Friend Enterprise Company Limited and Leadwell CNC Machines Mfg., Corp, and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified, subject to such addition or amendment as any respective director(s) or authorised person(s) of the Company and Sky Thrive Hong Kong Enterprise Limited may consider necessary, desirable or appropriate.”

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

Hong Kong, 4 December 2015

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

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## NOTICE OF EGM

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*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 proxy form must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong 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 appointed for holding the Meeting or any adjournment thereof.
3. Completion and return of the proxy form 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 wishes, and in such event, the proxy form 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 holder(s), seniority being determined by the order in which the 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 executive directors and Mr. Koo Fook Sun, Louis, Mr. Chiang Chun-Te and Mr. Yu Yu-Tang, all being independent non-executive directors.