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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 TRANSACTION
FORMATION OF JOINT VENTURE**

The Board is pleased to announce that on 6 April 2016, Hangzhou GF and Qiqihar CNC entered into the Joint Venture Agreement in relation to the formation of the Joint Venture. The Joint Venture will be held as to 60% by Hangzhou GF and 40% by Qiqihar CNC, and its registered capital will be contributed as to RMB60,000,000 by Hangzhou GF and RMB40,000,000 by Qiqihar CNC in cash. The Joint Venture will be engaged in the research and development, manufacturing and sales of CNC machine tools, auto manufacturing system and related products.

As one or more of the applicable percentage ratios for the formation of the Joint Venture is more than 5% but less than 25%, the formation of the Joint Venture constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 6 April 2016, Hangzhou GF and Qiqihar CNC entered into the Joint Venture Agreement in relation to the formation of the Joint Venture. The principal terms of the Joint Venture Agreement are summarized below.

THE JOINT VENTURE AGREEMENT

1. Date

6 April 2016

2. Parties

- (i) Hangzhou GF, a wholly-owned subsidiary of the Company; and
- (ii) Qiqihar CNC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Qiqihar CNC and its ultimate beneficial owner(s) are third parties independent of the Group and its connected persons.

3. Capital contribution

The Joint Venture will be incorporated in accordance with the applicable laws and procedures of the PRC. The total registered capital of the Joint Venture will be RMB100,000,000. The Joint Venture will be held as to 60% by Hangzhou GF and 40% by Qiqihar CNC, and its registered capital will be contributed as to RMB60,000,000 by Hangzhou GF and RMB40,000,000 by Qiqihar CNC in cash as follows:-

	Hangzhou GF	Qiqihar CNC
Within 90 days from the Effective Date	RMB12,000,000	RMB8,000,000
Within 3 months following the incorporation of the Joint Venture	RMB12,000,000	RMB8,000,000
Within 6 months following the incorporation of the Joint Venture	RMB12,000,000	RMB8,000,000
Within 9 months following the incorporation of the Joint Venture	RMB12,000,000	RMB8,000,000
Within 12 months following the incorporation of the Joint Venture	RMB12,000,000	RMB8,000,000

The Joint Venture will be accounted for as non wholly-owned subsidiary of the Company.

The amount of capital contribution to be made by the Parties was arrived at after arm's length negotiations between the Parties having taken into account the expected capital requirements of the Joint Venture. It is expected that the capital contribution payable by Hangzhou GF will be funded by internal resources of the Group.

4. Business scope and operation

The Joint Venture will situate at the Qiqihar city of the Heilongjiang province of the PRC, and will be engaged in the research and development, manufacturing and sales of CNC machine tools, auto manufacturing system and related products. Hangzhou GF will manage the export sales business of the Joint Venture (while both Parties will assist with the sales activities of the Joint Venture) and Qiqihar CNC will provide its facilities for the operation of the Joint Venture.

The Joint Venture will observe the terms of use of related technology licensed from the Parties and may purchase from Qiqihar CNC at market price the components for use in the manufacturing process.

5. Management and board composition

The Joint Venture will be managed by both Parties through the board of directors of the Joint Venture, which will consist of 5 directors, 3 of whom will be appointed by Hangzhou GF and the remaining 2 directors will be appointed by Qiqihar CNC.

The chairman and the managing director of the Joint Venture will be appointed by Hangzhou GF and Qiqihar CNC respectively.

6. Restrictions on transfers and encumbrances

A Party may not sell, assign, transfer, mortgage or pledge any of its equity interest in the Joint Venture to a third party without the prior written consent of the other Party.

In the event that a Party proposes to transfer its equity interest in the Joint Venture, the other Party will have a right of first refusal to acquire such equity interest.

7. Term and expiry

The Joint Venture Agreement will expire 10 years following the Effective Date and will be automatically renewed for an additional 5 years commencing from the date of expiry of the original term (subject to permission from the relevant governmental authorities of the PRC), unless terminated by either Party serving to the other at least 60 days written notice before the date of expiry of the original term.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE

The formation of the Joint Venture will enable Hangzhou GF and Qiqihar CNC to pool together their respective knowledge, resources, technologies and sales channels in the development, manufacturing and sale of machine tools. The resources and long-term experience of Qiqihar CNC in the production of machine tools, as complemented by Hangzhou GF's advanced technologies in producing high-quality machine tools and its commitment to excellence, will allow the Group to advance in the areas of high-quality machine tools production and intelligent manufacturing, and to provide a wider product spectrum to its customers.

Qiqihar CNC's predecessor, Qiqihar First Machine Tool Works, was a backbone enterprise and a leader in the machine tools industry in the PRC, with a leading market share in vertical and horizontal heavy machine tools. It is believed that Qiqihar CNC's strong reputation will benefit the business of the Joint Venture and the sales of its products, and ultimately increase the competitiveness and profitability of the Group.

The Directors are of the view that the terms of the Joint Venture Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

INFORMATION ABOUT THE GROUP AND THE PARTIES

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.

Hangzhou GF is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in the research and development, manufacturing and sales of CNC machine tools, auto manufacturing system and related products.

Qiqihar CNC is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Tianma Bearing Group Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code:002122). It is principally engaged in the research and development and manufacturing of vertical and horizontal heavy machine tools.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios for the formation of the Joint Venture is more than 5% but less than 25%, the formation of the Joint Venture constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

“Board”	the board of Directors
“CNC”	the short form and acronym of “computer numerical control”, a numerical control system that utilizes a dedicated storage-program computer to perform some or all of the basic numerical control of machine tools
“Company”	Good Friend International Holdings Inc. (友佳國際控股有限公司), 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)
“Director(s)”	the director(s) of the Company

“Effective Date”	the date permission or undertaking for capital injection into the Joint Venture, issued by relevant governmental authorities of the PRC in accordance with relevant laws or regulations, is obtained by either of the Parties
“Group”	the Company and its subsidiaries
“Hangzhou GF”	Hangzhou Good Friend Precision Machinery Co., Ltd. (杭州友佳精密機械有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Venture”	a company to be established in the PRC with limited liability under the name of FFG Qiqihar CNC Equipment Co., Ltd. (友佳齊重裝備有限公司) in accordance with the Joint Venture Agreement
“Joint Venture Agreement”	the agreement dated 6 April 2016 entered into between Hangzhou GF and Qiqihar CNC in relation to the formation of the Joint Venture
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	parties to the Joint Venture Agreement, being Hangzhou GF and Qiqihar CNC, and “Party” shall mean any one of them
“percentage ratios”	has the same meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Qiqihar CNC”	Qiqihar Heavy CNC Equipment Co., Ltd (齊重數控裝備股份有限公司), a company incorporated in the PRC with limited liability

“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 7 April 2016

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