
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 CONTINUING CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

**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 12 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 13 to 24 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 35th Floor, Central Plaza, 18 Harcourt Road, Wanchai, Hong Kong on Wednesday, 6 August 2014 at 3:00 p.m. is set out on pages 29 to 30 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 Level 22, Hopewell Centre, 183 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.

22 July 2014

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DEFINITIONS

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:

“Alma”	Alma S.r.l., a company incorporated in Italy with limited liability
“Altus Capital”	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
“Announcement”	the announcement of the Company dated 9 July 2014
“Arrangement Fees”	the arrangement fees payable by FFG Werke to Sky Thrive pursuant to the Guarantee Procurement Deed
“associate(s)”	has the meaning ascribed under the Listing Rules
“Bank Guarantee(s)”	guarantee(s) to be issued by licensed banks on normal commercial terms in favour of the Customer(s) in respect of the Sales Contract(s)
“Board”	the board of Directors
“Business Day(s)”	a day on which the licensed banks in all of Hong Kong, Taiwan and Germany are generally open for business, excluding any Saturday and Sunday
“Company”	Good Friend International Holdings Inc., a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed under Chapter 14A of the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed under Chapter 14A of the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed under the Listing Rules

DEFINITIONS

“Customer(s)”	customer(s) of the FFG Werke Group under the Sales Contract(s)
“Director(s)”	the director(s) of the Company
“discloseable transaction(s)”	has the meaning ascribed under Chapter 14 of the Listing Rules
“EGM”	the extraordinary general meeting of the Company to be convened for considering and, if thought fit, to approve the Guarantee Procurement Deed and the transactions contemplated thereunder
“Euro”	Euro, the lawful currency of the member states of the European Union
“FFG Europe”	FFG Europe S.p.A., a joint stock company incorporated in Italy with limited liability
“FFG Werke”	FFG Werke GmbH, a limited liability company incorporated in Germany
“FFG Werke Group”	FFG Werke and its subsidiaries from time to time
“Financial Assistance”	the procurement by Sky Thrive for the issuance of Bank Guarantee(s) on behalf of FFG Werke pursuant to the Guarantee Procurement Deed
“Golden Friendship”	Golden Friendship International Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Taiwan FF
“Golden Wealth”	Golden Wealth Inc Limited, a limited liability company incorporated in Hong Kong
“Group”	the Company and its subsidiaries
“Guarantee Procurement Deed”	the deed dated 9 July 2014 entered into by FFG Werke and Sky Thrive in respect of the Financial Assistance
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong GF”	Good Friend (H.K.) Corporation Limited, a company incorporated in Hong Kong with limited liability, the beneficial owner of 232,000,000 Shares (representing approximately 57.54% of the issued share capital of the Company) and is owned as to approximately 99.99% by Taiwan FF
“IE Business”	the Industrial Equipment division of MAG
“Independent Board Committee”	the independent non-executive Directors appointed as the members of an independent committee of the Board to advise the Independent Shareholders on the Guarantee Procurement Deed and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than Hong Kong GF, Sunward Gold Global Investments Limited, a company held as to approximately 72.22% by Mr. Chu, and their respective associates and, if any, any other Shareholder who has a material interest and is required to abstain from voting at the EGM pursuant to the Listing Rules
“Independent Shareholders Approval”	the approval from the Independent Shareholders in respect of the entering into and performance of the Guarantee Procurement Deed by Sky Thrive and the transactions contemplated hereunder
“Latest Practicable Date”	18 July 2014, 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
“MAG”	MAG IAS GmbH, a limited liability company incorporated in Germany
“Mr. Chu”	Mr. CHU Chih-Yaung, an executive Director and the Chairman of the Company, who is beneficially interested in 24,243,347 shares in Taiwan FF (representing approximately 15.40% of the entire issued capital thereof) and, through Sunward Gold Global Investments Limited, a company held as to approximately 72.22% by him, 20,000,000 Shares (representing approximately 4.96% of the entire issued capital of the Company)

DEFINITIONS

“percentage ratios”	has the meaning ascribed under Chapter 14 of the Listing Rules
“Procurement Period”	the period following the obtaining of the Independent Shareholders Approval up to and including the date falling on the expiry of 12 months thereafter
“Sales Contract(s)”	the manufacturing and/or sales contract(s) between any member of the FFG Werke Group and the Customer(s) to be entered into in the ordinary course of business of the FFG Werke Group
“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
“Shareholder(s)”	the holder(s) of Share(s)
“Sky Thrive”	Sky Thrive Hong Kong Enterprise Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan FF”	Fair Friend Enterprise Company Limited, a limited liability company incorporated in Taiwan on 15 March 1979
“World Ten”	World Ten Limited, a limited liability company incorporated in Hong Kong, and 11.76% of the issued share capital of which is held by Taiwan FF
“%”	per cent

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

22 July 2014

To the Shareholders

Dear Sirs,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

1. INTRODUCTION

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

LETTER FROM THE BOARD

On 9 July 2014, FFG Werke and Sky Thrive entered into the Guarantee Procurement Deed, pursuant to which Sky Thrive agreed to procure the issuance of the Bank Guarantees for FFG Werke's business operations. The Directors will seek the Independent Shareholders' approval for the Financial Assistance at the EGM.

The purpose of this circular is to provide you with, among others, (i) information on the Financial Assistance; (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 FINANCIAL ASSISTANCE

The principal terms of the Guarantee Procurement Deed are summarised below: –

Date: 9 July 2014

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

Issuance of Bank Guarantees: FFG Werke may during the Procurement Period request Sky Thrive to (at the absolute discretion of Sky Thrive) procure the issuance of Bank Guarantees in respect of Sales Contracts in favour of the Customers for any member of the FFG Werke Group. Each Bank Guarantee will expire no later than 24 months from its date of issuance.

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

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

LETTER FROM THE BOARD

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

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

Arrangement Fees: FFG Werke shall pay to Sky Thrive such Arrangement Fees at the rate of 2.20% or 3.75% per annum on the amount of Bank Guarantees actually procured by Sky Thrive:

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

Such Arrangement Fees are calculated on a cost-plus basis taking into account the charges and expenses that would be incurred by Sky Thrive in procuring such Bank Guarantees. The rates of the Arrangement Fees will be determined based on the arrangements with the banks, which will be (i) 2.20% per annum on the amount of Bank Guarantees procured by Sky Thrive pursuant to the Guarantee Procurement Deed if the Bank Guarantees are issued to the Customers directly by the arranging bank, or (ii) 3.75% per annum on the amount of Bank Guarantees procured by Sky Thrive pursuant to the Guarantee Procurement Deed if the Bank Guarantees are issued to the Customers through an intermediary bank, that is, where an additional bank is involved.

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

LETTER FROM THE BOARD

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

**Reimbursements by
FFG Werke:**

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

**Provision of security
by FFG Werke:**

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

(a) Provision of Bank Guarantees by shareholders of FFG Werke

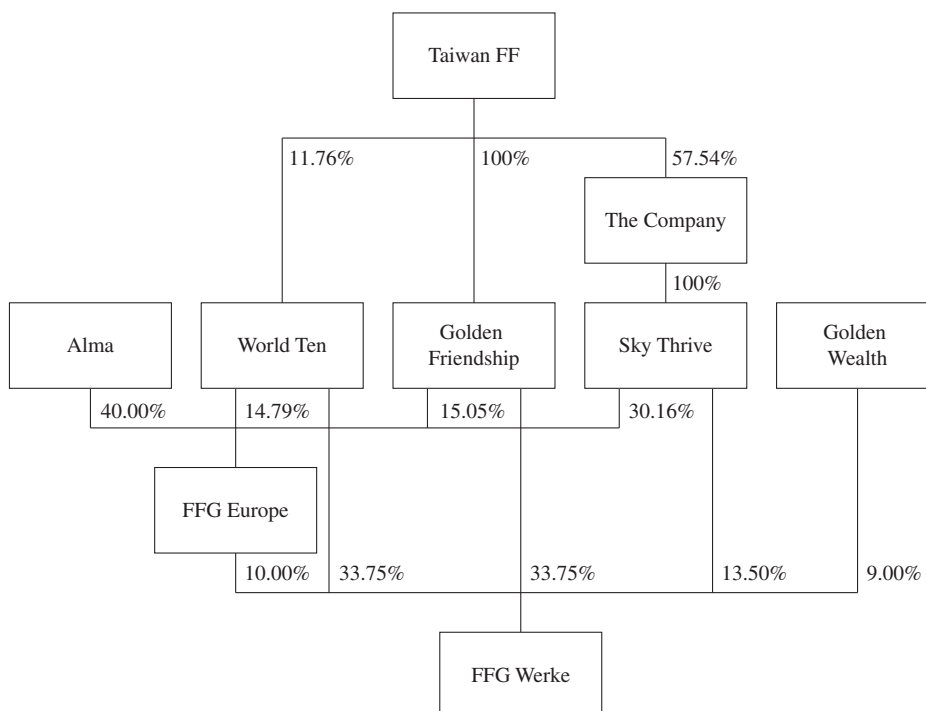
For procuring the issuance of a Bank Guarantee, Sky Thrive should apply to its bank by providing details of the Customer and the guarantee amount. Expenses and charges including bank charges and administrative costs will be incurred during the process, which are expected to be fully covered by the Arrangement Fees, representing the aggregate of the costs plus a reasonable premium. In any case, if the costs of procuring the Bank Guarantees incurred by Sky Thrive increase to such a level that exceed the Arrangement Fees, Sky Thrive has the absolute discretion to decide not to procure the issuance of the Bank Guarantees in respect of the Sales Contracts.

In addition to Sky Thrive, it is understood that World Ten and Golden Friendship will also procure the provision of Bank Guarantees on similar terms by charging arrangement fees at the same rates under the Guarantee Procurement Deed. The Bank Guarantees to be provided by Sky Thrive, World Ten and Golden Friendship will be in proportion to their relative equity interests in the aggregate shareholdings in FFG Werke, with the exclusion of FFG Europe and Golden Wealth which do not have the requisite financial resources.

LETTER FROM THE BOARD

(b) Shareholding structure of FFG Werke

The shareholding structure of FFG Werke as at the Latest Practicable Date is as follows:-



(c) Reasons for and benefits of the provision of the Financial Assistance

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

Furthermore, the Company has assessed and will as an ongoing basis assess the default risks of FFG Werke taking into account, inter alia, the continued operations of FFG Werke. Considering (i) though FFG Werke is newly incorporated, the underlying IE Business of MAG owned by FFG Werke has long been established covering renowned machine tools brands with relatively stable operation and healthy credit history; (ii) the management of

LETTER FROM THE BOARD

FFG Werke is well experienced in managing the IE Business; and (iii) the provision of security by FFG Werke Group under the Guarantee Procurement Deed, it is considered that there is minimal risk of default for the Sales Contracts.

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

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

3. INFORMATION ON THE GROUP, FFG WERKE AND SKY THRIVE

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

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

4. LISTING RULES IMPLICATIONS

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

As FFG Werke is an associate of Taiwan FF, the controlling shareholder of the Company, and is accordingly a connected person of the Company, the provision of the Financial Assistance which is expected to continue and extend over a period of time also constitutes a continuing connected transaction of the Company subject to the requirements of reporting, announcement and the Independent Shareholders Approval at the EGM under Chapter 14A of the Listing Rules. The provision of the Financial Assistance will also be subject to the annual review requirements under Rules 14A.55 to 14A.59 of the Listing Rules in the financial years of 2014 and 2015.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to, among others, the terms of the Financial Assistance. Altus Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders. Other than Mr. Chu, an executive Director and the Chairman of the Company, who is beneficially interested in 24,243,347 shares in Taiwan FF (representing approximately 15.40% of the entire issued capital thereof), who had abstained from voting, no Director had a material interest in the Guarantee Procurement Deed which would require him to abstain from voting on the relevant Board resolution.

LETTER FROM THE BOARD

5. EGM AND ACTION TO BE TAKEN

The EGM will be held at 35th Floor, Central Plaza, 18 Harcourt Road, Wanchai, Hong Kong on Wednesday, 6 August 2014 at 3:00 p.m. to consider and, if thought fit, approve the Financial Assistance. A notice convening the EGM is set out on pages 29 to 30 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 Level 22, Hopewell Centre, 183 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 Financial Assistance, and any Shareholder with a material interest in the transactions thereof and its associates, shall not vote upon the proposed resolutions in relation to the Financial Assistance at the EGM. In this respect, Hong Kong GF, Sunward Gold Global Investments Limited, a company held as to approximately 72.22% by Mr. Chu, and any of their respective associates are required to abstain from voting in relation to the relevant resolution at the EGM.

6. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 12 of this circular; and (ii) the letter from Altus Capital set out on pages 13 to 24 of this circular which contain their advice to the Independent Board Committee and the Independent Shareholders. The Independent Board Committee concurs with the opinion of Altus Capital that the terms of the Financial Assistance are in the interests of the Company and the Shareholders as a whole and are fair and reasonable.

The Board is of the view that the terms of the Financial Assistance 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.

7. 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)

22 July 2014

To the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

We have been appointed to form this Independent Board Committee to consider and advise you on the terms of the Financial Assistance, details of which are set out in the circular issued by the Company to the Shareholders dated 22 July 2014 (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 5 to 11 and pages 13 to 24 of the Circular respectively.

Having taken into account (i) the factors as disclosed in the section headed “**Reasons for and benefits of the provision of the Financial Assistance**” 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 consider and concur with the opinion of Altus Capital that although the Guarantee Procurement Deed was not entered into in the ordinary course of business of Sky Thrive, the terms of the Financial Assistance are on normal commercial terms and 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 in respect of the discloseable and continuing connected transaction which has been prepared for the purpose of incorporation in this circular.

ALTUS CAPITAL LIMITED

21 Wing Wo Street
Central, Hong Kong

22 July 2014

*To the Independent Board Committee and
the Independent Shareholders*

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 Sirs,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION

PROVISION OF FINANCIAL ASSISTANCE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Guarantee Procurement Deed in relation to the provision of the Financial Assistance to FFG Werke for its business operations. Details of the Guarantee Procurement Deed are set out in the “Letter from the Board” contained in the circular of the Company dated 22 July 2014 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meaning as those defined in the Circular unless the context requires otherwise.

On 9 July 2014, FFG Werke and Sky Thrive entered into the Guarantee Procurement Deed, pursuant to which Sky Thrive agreed to provide the Financial Assistance to FFG Werke for its business operations.

LETTER FROM ALTUS CAPITAL

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

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

THE INDEPENDENT BOARD COMMITTEE

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 (i) whether the Guarantee Procurement Deed in relation to the provision of the Financial Assistance to FFG Werke for its business operations is fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Guarantee Procurement Deed are on normal commercial terms and the Guarantee Procurement Deed was entered into in the ordinary course of business of Sky Thrive; and (iii) 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 Guarantee Procurement Deed is in the interests of Company and the Shareholders as a whole; (ii) whether the terms of the Guarantee Procurement Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Guarantee Procurement Deed was entered into in the ordinary course of business of Sky Thrive; and (iii) how the Independent Shareholders should vote in respect of the resolution to be proposed at the EGM.

BASIS OF OUR ADVICE

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 Group. 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.

LETTER FROM ALTUS CAPITAL

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 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 of the Group 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. Background information

1.1 Information on 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.

Set out below is a summary of financial highlights of the Group for the three years ended 31 December 2011, 2012 and 2013 as extracted from the annual report of the Company for the year ended 31 December 2012 (the “**2012 Annual Report**”) and the annual report of the Company for the year ended 31 December 2013 (the “**2013 Annual Report**”) respectively.

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Revenue	1,884,132	1,540,856	1,350,271
Gross profit	439,216	308,947	309,771
Profit attributable to the equity holders of the Company	<u>153,690</u>	<u>42,022</u>	<u>36,868</u>

LETTER FROM ALTUS CAPITAL

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Cash and cash equivalents	140,482	109,547	235,829
Net asset value	<u>682,368</u>	<u>661,891</u>	<u>673,000</u>

Sources: The 2012 Annual Report and 2013 Annual Report

As described in the 2012 Annual Report for the year ended 31 December 2012, the Group recorded revenue of approximately RMB1,540.9 million, representing a decrease of approximately 18.2% as compared to 2011. This was mainly due to the decrease in sales of both CNC machine tools business and forklift truck business. Gross profit of the Group amounted to approximately RMB308.9 million. Overall gross profit margin was approximately 20.1%, compared to 23.3% for 2011 mainly due to the decrease in gross profit margin of CNC machine tools (the Group's major product) during the year as compared to 2011. For the year ended 31 December 2012, profit attributable to the equity holders of the Company amounted to approximately RMB42.0 million, representing a decrease of approximately 72.7% as compared to 2011. This was mainly due to the decrease in revenue while the expenses of the Group remained at similar level.

As mentioned in the 2013 Annual Report, for the year ended 31 December 2013, the Group recorded revenue of approximately RMB1,350.3 million, representing a decrease of approximately 12.4% as compared to the year ended 2012. This was mainly due to the decrease in sales of both CNC machine tools business and forklift truck business. CNC machine tools remained the major source of the Group's revenue. Gross profit of the Group amounted to approximately RMB309.8 million. Overall gross profit margin was approximately 22.9% for 2013, compared to 20.1% for 2012 mainly due to the increase in gross profit margin of CNC machine tools (the Group's major product). Profit attributable to the equity holders of the Company amounted to approximately RMB36.9 million in 2013, representing a decrease of approximately 12.3% as compared to 2012. This was mainly due to the loss on disposal of companies.

LETTER FROM ALTUS CAPITAL

On 1 January 2013, the Group has formed a joint venture, namely FFG Europe. According to the management of the Company, the formation of FFG Europe would allow the Group to streamline its operation and enhance its product portfolios with those of the subsidiaries of FFG Europe, which possesses valuable expertise and extensive experience in the industry, thereby deriving 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.

The working capital of the Group was mainly financed by internal cash flows generated from its operation and its existing banking facilities. As at 31 December 2013, the Group's cash and cash equivalents amounted to approximately RMB235.8 million (at 31 December 2012: RMB109.5 million). As at 31 December 2013, the Group had net current assets of approximately RMB361.7 million (at 31 December 2012: RMB339.8 million) and short-term bank borrowings of approximately RMB367.8 million (at 31 December 2012: RMB372.8 million). The current ratio (total current assets to total current liabilities) of the Group as at 31 December 2013 was approximately 1.4 (at 31 December 2012: 1.4). The gearing ratio as at 31 December 2013 (total interest bearing liabilities to total assets) was approximately 23.2% (at 31 December 2012: 23.8%), indicating that despite lower profitability in recent year, the Group's overall financial position remained strong.

1.2 Information on FFG Werke

On 17 October 2013, FFG Werke was incorporated in Germany. FFG Werke is principally engaged in the development, manufacturing and sale of machine tools and production systems. Thereafter, FFG Werke acquired the industrial equipment division ("**IE Business**") of MAG IAS GmbH ("**MAG**"), a leading manufacturing technology group. The IE Business of MAG covers renowned machine tools brands, and could benefit the Group by providing access to the renowned brands and further enhancing the Group's product portfolio.

The capital contribution by the shareholders of FFG Werke was held as to 10.00% by FFG Europe, 33.75% by World Ten, 33.75% by Golden Friendship, 13.50% by Sky Thrive (a wholly owned subsidiary of the Company) and 9.00% by Golden Wealth (collectively, the "**Shareholders**"). Details of the shareholding structure of FFG Werke are set out in the "Letter from the Board".

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1.3 Information on the Sales Contracts

FFG Werke would enter into Sales Contracts with the Customers in its ordinary course of business. As a general practice in the business, the Customers are generally required to pay a deposit equivalent to approximately 30% of the corresponding Sales Contract amount for the machinery to be manufactured, upon which a bank guarantee in the amount of the deposit would be required to be procured by FFG Werke and issued to the Customers as a security for the deposit and the due delivery of the machinery (the “**Bank Guarantees**”).

2. The Guarantee Procurement Deed

On 9 July 2014, FFG Werke and Sky Thrive entered into the Guarantee Procurement Deed, pursuant to which, Sky Thrive agreed to procure the issuance of the Bank Guarantees for FFG Werke’s business operations (the “**Financial Assistance**”). The principal terms of the Guarantee Procurement Deed are summarised below: –

Issuance of Bank Guarantees	:	FFG Werke may during the Procurement Period request Sky Thrive to (at the absolute discretion of Sky Thrive) procure the issuance of Bank Guarantees in respect of Sales Contracts in favour of the Customers for any member of the FFG Werke Group. Each Bank Guarantee will expire no later than twenty four months from its date of issuance.
Amount of Bank Guarantees	:	The maximum aggregate amount of all Bank Guarantees to be issued under the Guarantee Procurement Deed shall not exceed Euro 10.6 million.
Procurement Period	:	The period following the obtaining of the Independent Shareholders Approval up to and including the date immediately preceding the expiry of twelve months thereafter.
Period of the Guarantee Procurement Deed	:	The Guarantee Procurement Deed will take effect upon the obtaining of the Independent Shareholders Approval and will continue until the date on which all outstanding liabilities of Sky Thrive under all Bank Guarantees are repaid and/or discharged.

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- Arrangement Fees** : FFG Werke shall pay to Sky Thrive such Arrangement Fees of 2.20% to 3.75% per annum on the amount of Bank Guarantees actually procured by Sky Thrive.
- Reimbursements by FFG Werke** : FFG Werke is required to settle in full all such liabilities incurred by Sky Thrive pursuant to any enforcement of the Bank Guarantees within three Business Days of the date of a written request by Sky Thrive.
- Provision of security by FFG Werke** : Sky Thrive may from time to time request FFG Werke to provide and procure the provision of such continuing security over certain assets of the FFG Werke Group for the payment and discharge of all such liabilities Sky Thrive may incur under the Bank Guarantees.

According to the management of the Group, the Financial Assistance is a temporary arrangement for FFG Werke's business operations. As FFG Werke is newly incorporated, additional time is required to arrange for the requisite facilities with the banks at its place of operations, the Financial Assistance will help to address its interim operating needs during the initial periods. Once FFG Werke is able to obtain sufficient credit facilities on its own, which is currently expected to be by or before the third quarter of 2015 and before the expiry of the Procurement Period, the Financial Assistance will no longer be required.

For procuring the issuance of a Bank Guarantee, Sky Thrive should apply to its bank by providing details of the Customer and the guarantee amount of the guarantee. Expenses and charges including bank charges and administrative costs will be incurred during the process, which will be fully covered by the Arrangement Fees, which represent the aggregate of the costs plus a reasonable premium.

In addition to Sky Thrive, it is understood that World Ten and Golden Friendship will also procure the provision of Bank Guarantees. The Bank Guarantees to be provided by Sky Thrive, World Ten and Golden Friendship will be in proportion to their relative equity interests in the aggregate shareholdings in FFG Werke, with the exclusion of FFG Europe and Golden Wealth which do not have the requisite financial resources.

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3. Maximum amount of the Financial Assistance and basis of determination thereof

The maximum amount of the Financial Assistance of Euro 10.6 million (the “**Cap**”) to be provided by Sky Thrive was determined with reference to the estimated funding needs of FFG Werke for its business operations within the Procurement Period and the proportion to be borne by Sky Thrive as further discussed in the section below. Such amount of the Financial Assistance represents the maximum liabilities which Sky Thrive may be required to bear in case of default by FFG Werke.

The funding needs of FFG Werke are estimated with reference to the sales orders that have been secured or are expected to be secured from the Customers. According to the management of the Group, guarantees are usually provided at approximately 30% of the corresponding Sales Contract amount. Thus, the maximum amount of the Financial Assistance to be provided by Sky Thrive is derived from 30% of the estimated sales amount of FFG Werke which has taken into account: (i) the confirmed sales orders of FFG Werke on hand as at the Latest Practicable Date; (ii) the sales orders expected to be confirmed imminently by FFG Werke; and (iii) the estimated further sales orders to be concluded by FFG Werke.

We have reviewed approximately one third of the confirmed Sales Contracts and noted that guarantees are usually provided at approximately 20% to 30% of the corresponding Sales Contract amount. For the remaining confirmed Sales Contracts, we have obtained confirmation from management that the guarantees are at similar levels. The estimated further sales orders amount to be concluded by FFG Werke is estimated based on the sales orders amount concluded by FFG Werke in June 2014. The sales orders amount concluded in June 2014 is being used as the estimation basis as FFG Werke was recently established and its limited business track record makes it more reasonable to rely on the most recent financial results for projecting the aforesaid sales order amount.

In light of the above, we are of the view that the basis to determine the amount of Financial Assistance to be provided under the Guarantee Procurement Deed is fair and reasonable.

4. Arrangement fees

As described in paragraph headed “2. The Guarantee Procumbent Deed” above, FFG Werke shall pay to Sky Thrive Arrangement Fees of 2.20% to 3.75% per annum on the amount of Bank Guarantees actually procured by Sky Thrive.

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The Arrangement Fees would be (i) 2.20% per annum on the amount of Bank Guarantees procured by Sky Thrive pursuant to the Guarantee Procurement Deed, in respect of Bank Guarantees issued to the Customers directly by the arranging bank; or (ii) 3.75% per annum on the amount of Bank Guarantees procured by Sky Thrive pursuant to the Guarantee Procurement Deed, in respect of the Bank Guarantees issued to the Customers through an intermediary bank, that is, where an additional bank is involved.

Such Arrangement Fees are calculated on a cost plus basis taking into account the charges and expenses that would be incurred by Sky Thrive in procuring such Bank Guarantees. We have reviewed the master bank guarantee contracts of the Company and the incremental administrative cost that would be incurred by Sky Thrive in procuring the Bank Guarantee. We noted that the Arrangement Fees allow the Company to cover the aforesaid incremental costs. In any case, if the cost of procuring the Bank Guarantee incurred by Sky Thrive increases to such a level that exceeds the Arrangement Fees, Sky Thrive has the absolute discretion to decide not to procure the issuance of the Bank Guarantees in respect of the Sales Contracts. Thus, we are of the view that the basis to determine the Arrangement Fees under the Guarantee Procurement Deed is fair and reasonable.

5. Proportion of guarantee borne by Sky Thrive

FFG Europe and Golden Wealth, being interested in 10.0% and 9.0% of FFG Werke respectively, will not be providing the Financial Assistance to FFG Werke, the Financial Assistance under the Guarantee Procurement Deed is being provided on a non-pro rata basis in relation to the equity interest of the Shareholders of FFG Werke.

FFG Europe is a recently formed joint venture which principally engages in the design, manufacturing and sale of industrial machine tools for metalworking and property investments and consultancy services in relation thereto. According to the management of the Group, the recent formation of joint venture and asset injection as described in the circular of the Company dated 28 September 2012 suggest that FFG Europe is still in developing stage, which in turn, do not have the excess financial resources to provide Financial Assistance to FFG Werke. Golden Wealth is an investment holding company incorporated in September 2013 and owned by an independent third party, which has no operations and has no banking relationship of its own. According to the management of the Group, Golden Wealth therefore has no financial capability to provide Financial Assistance to FFG Werke.

Given the circumstances above, we are of the view that it is practicable that guarantees the Customers on behalf of FFG Werke be provided only by three of the Shareholders which have more established business operations and financial arrangements, being Sky Thrive, World Ten and Golden Friendship. The amount of guarantee to be provided by each of the three parties above on behalf of FFG Werke shall be a proportion relative to three of their shareholdings in FFG Werke. In this case, the guarantee to be provided by Sky Thrive, World Ten and Golden Friendship shall therefore be approximately 16.6%, 41.7% and

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41.7% respectively of the total guarantee amount required by FFG Werke. For illustration, the 16.6% of Sky Thrive is derived by dividing its equity interest of 13.5% in FFG Werke by 81.0%, which is the aggregate equity interest of Sky Thrive, World Ten and Golden Friendship in FFG Werke.

Meanwhile, FFG Werke has also considered whether it should seek guarantee from Sky Thrive, World Ten and Golden Friendship in the aforesaid proportion each time it is required to provide guarantee to the Customers. Having considered the high administrative costs to arrange a guarantee in such a way, it appears that it is not economically practicable to do so. Instead, it is more economically sound for FFG Werke to separately obtain guarantees from Sky Thrive, World Ten and Golden Friendship for each sales contract, subject to the Cap determined based on FFG Werke's sales orders and the three parties' proportionate shareholdings as described above.

Moreover, without prejudice to the other obligations of FFG Werke under the Guarantee Procurement Deed and whether or not any Bank Guarantee has been enforced, Sky Thrive may from time to time request FFG Werke to, and FFG Werke shall upon such request, forthwith provide and procure the provision of such continuing security in favour of Sky Thrive or its nominee for the payment and discharge of all such liabilities Sky Thrive may incur in relation to the Bank Guarantees, including security over certain assets of the FFG Werke Group. This helps reduce Sky Thrive's exposure to the default of FFG Werke.

On top of that, while Sky Thrive has agreed to procure the issuance of the Bank Guarantee, it is not obliged to procure the issuance of any Bank Guarantee and nothing in the Guarantee Procurement Deed shall be construed as any warranty or assurance that any Bank Guarantee will be successfully procured or as to the timeliness of any procurement. In other words, Sky Thrive has the absolute discretion to decide whether to procure the issuance of the Bank Guarantees in respect of the Sales Contracts when requested by FFG Werke during the Procurement Period.

Based on the above, we are of the view that it is fair and reasonable for Sky Thrive to provide the Financial Assistance under the Guarantee Procurement Deed to FFG Werke although the amount of guarantee to be provided by Sky Thrive is not entirely in proportion to its equity interest in FFG Werke but is proportionate to those of Sky Thrive, World Ten and Golden Friendship.

6. Financial position of the Group

The Financial Assistance under the Guarantee Procurement Deed is expected to be provided through the Group's bank credit lines.

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As discussed in paragraph headed “1.1 Information on the Group” above, the working capital of the Group was mainly financed by internal cash flows generated from its operation and its existing banking facilities. As at 31 December 2013, the Group’s cash and cash equivalents and net current assets amounted to approximately RMB235.8 million and RMB361.7 million respectively. On top of that, the relatively high current ratio and low gearing ratio of the Group as at 31 December 2013 indicates that the Group’s overall financial position is strong.

As set out in the 2013 Annual Report, the Group’s undrawn borrowing facilities as at 31 December 2013 was approximately RMB659.0 million. It shows that the Group possesses readily available bank credit lines to provide the Financial Assistance under the Guarantee Procurement Deed to earn Arrangement Fees.

After considering the financial position of the Group, we consider that the Group possesses the capability to offer the Financial Assistance under the Guarantee Procurement Deed to be provided to FFG Werke for its operation.

7. Benefits of the Financial Assistance under the Guarantee Procurement Deed to the Group

As described in paragraph headed “1.2 Information on FFG Werke” above, FFG Werke is principally engaged in the development, manufacturing and sale of machine tools and production systems and would enter into Sales Contracts with the Customers in its ordinary course of business. As a general practice in the business, under the Sales Contracts, the Customers are generally required to pay a deposit equivalent to approximately 30% of the corresponding Sales Contract amount for the machinery to be manufactured, upon which a guarantee in the amount of the deposit would be required to be issued by FFG Werke to the Customers as a security for the deposit and the due delivery of the machinery. As FFG Werke is newly incorporated, additional time is required to arrange for the requisite facilities with the banks, Sky Thrive agreed to provide the required funds for the interim operating needs of FFG Werke during this transitional period.

The Arrangement Fees will also provide an additional source of revenue for the Group. Such Arrangement Fees are calculated on a cost plus basis taking into account the charges and expenses that would be incurred by Sky Thrive in procuring such Bank Guarantees plus a premium, which is a fair and reasonable basis since the Arrangement Fees allow the Group to recover the charges and expenses incurred for procuring such Bank Guarantee while earning a reasonable fee income.

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Based on our discussion with the management of the Group, we understand that FFG Werke provides the Group access to renowned brands of the industrial equipment business. FFG Werke's continued development is therefore beneficial to the business development as well as the operating results of the Group and can further enhance its product portfolio. Hence, we are of the view that the Financial Assistance under the Guarantee Procurement Deed to be provided to FFG Werke for its operation will ultimately benefit the Group from an operational perspective.

Furthermore, the Company has assessed and will continue to assess the default risks of FFG Werke taking into account, inter alia, the continued operations of FFG Werke. We agree with the Directors' view that after considering (i) though FFG Werke is newly incorporated, the underlying IE Business of MAG owned by FFG Werke has long been established covering renowned machine tools brands with relatively stable operation and healthy credit history; (ii) the management of FFG Werke is well experienced in managing the IE Business; and (iii) the provision of security by FFG Werke Group under the Guarantee Procurement Deed, there is minimal risk of default for the Sales Contracts.

Taking into account the future growth opportunities of FFG Werke, the income from the Arrangement Fees payable by FFG Werke in respect of the amount of guarantees to be procured, the Cap imposed on the amount of guarantee borne by Sky Thrive, the security provided by FFG Werke Group under the Guarantee Procurement Deed, and the Financial Assistance being a temporary arrangement for an initial period of the development of FFG Werke, we believe that the benefits to be derived by the Company in procuring the Bank Guarantee outweigh the costs and potential risks to be borne by the Company since in the unlikely event that FFG Werke defaults, the Company is able to recover any losses from the security charged on assets of the FFG Werke Group.

In view of the above, we concur with the Directors that the Financial Assistance under the Guarantee Procurement Deed to be provided to FFG Werke for its operation is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the Guarantee Procurement Deed is in the interests of Company and the Shareholders as a whole; and (ii) though the Guarantee Procurement Deed was not entered into in the ordinary course of business of Sky Thrive, the terms of the Guarantee Procurement Deed are on normal commercial terms and are 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.

Yours faithfully
For and on behalf of
Altus Capital Limited
Chang Sean Pey
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

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) Divisions 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:

(a) Interests in the Company

Name of Director	Number of Shares held as		Total	Approximate percentage of shareholding
	Beneficial owner	Interest in controlled corporation		
Mr. Chu	–	20,000,000 <i>(Note)</i>	20,000,000	4.96%

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

(b) Interests in the associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Number and class of securities	Approximate percentage of shareholding
Mr. Chu	Taiwan FF	Beneficial owner	24,243,347 ordinary shares	15.40%
Mr. Chu (<i>Note 1</i>)	Taiwan FF	Spouse interest	4,281,925 ordinary shares	2.72%
Mr. Chen Hsiang-Jung	Taiwan FF	Beneficial owner	2,994,841 ordinary shares	1.90%
Mr. Chu	友迦工業股份有限公司 (Fairskq (Taiwan) Co., Ltd.) (<i>Note 3</i>)	Beneficial owner	21,988 ordinary shares	0.22%
Mr. Chu (<i>Note 2</i>)	友迦工業股份有限公司 (Fairskq (Taiwan) Co., Ltd.) (<i>Note 3</i>)	Spouse interest	21,988 ordinary shares	0.22%
Mr. Chu	佑泰興實業股份有限公司 (Yu Thai Xin Ent. Co., Ltd.) (<i>Note 3</i>)	Beneficial owner	1,000 ordinary shares	0.01%
Mr. Chu (<i>Note 4</i>)	佑泰興實業股份有限公司 (Yu Thai Xin Ent. Co., Ltd.) (<i>Note 3</i>)	Spouse interest	1,000 ordinary shares	0.01%
Mr. Chu (<i>Note 5</i>)	友嘉國際股份有限公司 (Decaview Asia Corporation) (<i>Note 3</i>)	Spouse interest	14,700 ordinary shares	0.59%
Mr. Chen Hsiang-Jung	友嘉國際股份有限公司 (Decaview Asia Corporation) (<i>Note 3</i>)	Beneficial owner	2,940 ordinary shares	0.12%
Mr. Chu	Fair Fine (Hongzhou) Industrial Co., Ltd. (<i>Note 3</i>)	Beneficial owner	750 ordinary shares	0.03%
Mr. Chen Hsiang-Jung	Fair Fine (Hongzhou) Industrial Co., Ltd. (<i>Note 3</i>)	Beneficial owner	750 ordinary shares	0.03%

Notes:

- Ms. Wang Tz-Ti (formerly known as Wang Jin-Zu) (“**Ms. Wang**”), the spouse of Mr. Chu, held 2.72% 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.
- 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.

(c) 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 2013, 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.

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 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).

4. COMPETING INTERESTS

Save that Mr. Chu and Mr. Chen Hsiang-Jung have interests, as disclosed in the section headed “2. Interests of Directors” 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 Macau 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, 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. 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 2013, 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 contained in this circular:

Name	Qualifications
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 beneficially interested in the share capital of any member of the Group, nor had 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 2013, 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 22 July 2014 (as set out on pages 13 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.

7. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Guarantee Procurement Deed 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.

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 35th Floor, Central Plaza, 18 Harcourt Road, Wanchai, Hong Kong, Hong Kong on Wednesday, 6 August 2014 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 guarantee procurement deed dated 9 July 2014 (the “**Deed**”) (a copy of which marked “A” has been produced to the Meeting and initialed by the chairman of the Meeting for identification purpose) by Sky Thrive Hong Kong Enterprise Limited (“**Sky Thrive**”), a wholly-owned subsidiary of the Company and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified and in respect of the Deed, 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 Deed 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, 22 July 2014

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 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 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.