
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in 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 adviser.

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 form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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GOOD FRIEND INTERNATIONAL HOLDINGS INC.

友佳國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2398)

DISCLOSEABLE AND CONNECTED TRANSACTION

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



A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 10 of this circular.

A letter from Sun Hung Kai containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 19 of this circular.

A notice convening the EGM to be held at Pearl Room, Regus Business Centre, 21/F, ICBC Tower, Citibank Plaza, No. 3 Garden Road, Hong Kong on Thursday, 30 July 2009 at 2:00 p.m. is set out on pages 24 to 25 of this circular. A form of proxy for use at the aforesaid EGM is also enclosed. Whether or not you intend to attend the meeting or any adjournment thereof, 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, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, 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 meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof if you so wish.

14 July 2009

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DEFINITION

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

“AIC”	Anest Iwata Corporation, a company incorporated under the laws of Japan, the shares of which are listed on the first section of the Tokyo Stock Exchange
“AIT”	Anest Iwata Taiwan Corporation, a company incorporated under the laws of the Republic of China, owned as to 50.00% by AIC; 49.865% by Taiwan FF; 0.045% by Mr. Chen Hsiang-Jung, being the executive Director; 0.045% by Ms. Chu Hsu-Niu and 0.045% by Mr. Lee Jui-Kuang, both being remote relatives of Mr. Chu Chih-Yaung, the chairman of the Company
“Announcement”	the announcement of the Company dated 23 June 2009 in relation to, amongst others, the Shareholders’ Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Licence Date”	the date on which the business licence certificate of JVC is issued by the PRC authority
“Company”	Good Friend International Holdings Inc., a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Connected Person”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director”	the directors of the Company
“EGM”	the extraordinary general meeting of the Shareholders, the notice of which is set out on pages 24 to 25 of this circular, to be held to consider and if thought fit, approve the Shareholders’ Agreement and the transactions contemplated thereunder

DEFINITION

“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 252,000,000 Shares (representing approximately 75% of the issued share capital of the Company) and is owned as to approximately 99.99% by Taiwan FF
“Independent Board Committee”	the committee comprising the three independent non-executive Directors established by the Board
“Independent Shareholders”	Shareholders other than Taiwan FF and its associates
“Independent Third Party”	person not being Connected Person of the Company
“JVC”	Anest Iwata Feeler Corporation (杭州阿耐思特岩田友佳空壓機有限公司), a wholly owned foreign enterprise to be established under the laws of the PRC, owned as to 35% by the Company, 35% by AIC and 30% by AIT
“Latest Practicable Date”	8 July 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“M&A”	the memorandum and articles of association of JVC
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“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

DEFINITION

“Shareholder(s)”	the holder(s) of the Shares
“Shareholders’ Agreement”	the conditional agreement dated 23 June 2009 entered into between the Company, AIT and AIC in relation to the formation of JVC
“Sun Hung Kai”	Sun Hung Kai International Limited, a corporation licensed under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined in the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Shareholders’ Agreement and the transactions thereunder
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	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. Cheng 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

14 July 2009

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

1. INTRODUCTION

Reference is made to the Announcement, the Company, AIC and AIT entered into a conditional Shareholders' Agreement on 23 June 2009 for the formation of JVC. The Directors propose to seek the Independent Shareholders' approval for the Shareholders' Agreement and the transactions contemplated thereunder at the EGM.

The purposes of this circular are (i) to provide you with, among other things, details of the terms of the Shareholders' Agreement; (ii) to set out the letter of advice from Sun Hung Kai to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Shareholders' Agreement; (iii) to set out the recommendation and opinion of the Independent Board Committee after taking into consideration of the advice of Sun Hung Kai in relation to the terms of the Shareholders' Agreement; and (iv) to provide you with the notice of EGM.

LETTER FROM THE BOARD

2. THE SHAREHOLDERS' AGREEMENT

Date	:	23 June 2009
Parties	:	(1) the Company; (2) AIT, an associate of Taiwan FF; and (3) AIC, an Independent Third Party.
Scope of business of the JVC	:	To engage in the production, manufacture, assembly and supply of air compressors, their components, accessories and spare parts
Total investment amount (投資總額) of the JVC	:	US\$15,000,000
Registered capital (註冊資本) of the JVC	:	US\$7,500,000, to be contributed as to: (1) 35% by the Company (i.e. US\$2,625,000); (2) 35% by AIC (i.e. US\$2,625,000); and (3) 30% by AIT (i.e. US\$2,250,000)
Term of the JVC	:	50 years from the Business Licence Date.
Board composition of the JVC	:	The board of JVC will consist of 4 directors, 2 of which shall be appointed by AIC and 2 of which shall be appointed by the Company. The chairman of the board will be appointed by AIC.

The total investment amount and registered capital of the JVC are determined after taking into account factors including the land, machinery and equipment to be obtained for production, the construction of the factory and the applicable ratio requirements for the total investment amount and registered capital under the PRC laws.

LETTER FROM THE BOARD

The registered capital will be contributed into JVC in two instalments:–

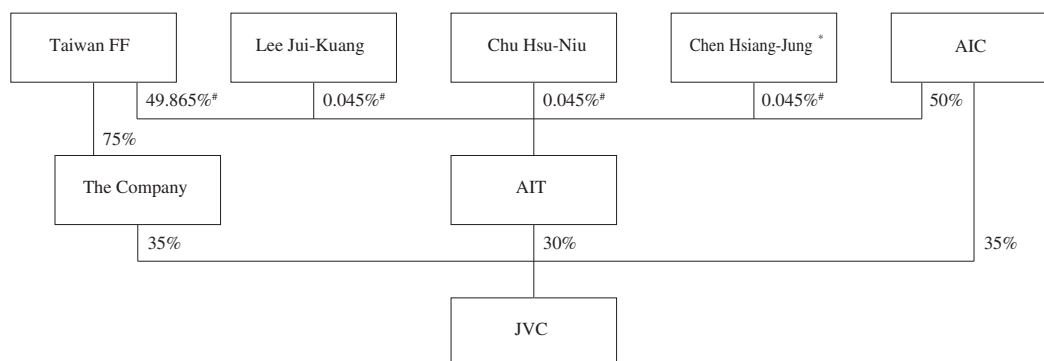
- (i) 20% of which shall be paid within three (3) months from the Business Licence Date; and
- (ii) the remaining 80% shall be paid within twenty-four (24) months from the Business Licence Date.

The Company will satisfy its contribution to the registered capital of JVC in cash by the internal resources of the Group.

The difference between the registered capital and the total investment amount of the JVC will be funded by the Company, AIC and AIT in proportion to their respective interest in JVC by way of capital contribution and/or shareholder loans, when considered to be necessary by the board of JVC based on the working capital and business development requirements of JVC from time to time.

The terms of the Shareholders' Agreement have been arrived at after arm's length negotiations and are of normal commercial terms. The parties to the Shareholders' Agreement undertake to execute the M&A and register it with the relevant authorities in the PRC. The Shareholders' Agreement will be conditional and shall take effect upon the approval by the Independent Shareholders.

The relevant shareholding structure of JVC upon its formation shall be as follows:–



Note:

* *an executive Director*

being the approximate shareholding in AIT

LETTER FROM THE BOARD

3. REASONS FOR AND BENEFITS OF ENTERING INTO THE SHAREHOLDERS' AGREEMENT

Through the establishment of JVC, the Company intends to cooperate with AIC and AIT in the production, assembly and supply of air compressors, their components, accessories and spare parts. By leveraging on the expertise of AIC and AIT, the Company considers the formation of JVC an opportunity to diversify the investment portfolio of the Group and help enlarge the revenue base of the Group as a whole.

The Directors, are of the view that the terms of the Shareholders' Agreement, so far as the Company is concerned, are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

4. INFORMATION ON THE GROUP, AIC AND AIT

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.

Insofar as the Company is aware, AIC is a company incorporated in Japan with its shares listed on the first section of Tokyo Stock Exchange. AIC is principally engaged in the manufacture and sale of compressors, vacuum pumps and painting equipment.

AIT is a company established in Taiwan, the share capital of which is held predominantly by AIC and Taiwan FF, as to 50.00% and 49.865% respectively. AIT is engaged in the manufacture and sale of AIC's spray painting equipment granted by AIC for various industrial applications in Taiwan and other countries.

5. LISTING RULES IMPLICATIONS

The formation of JVC constitutes a discloseable transaction of the Company as the applicable percentage ratios exceed 5% but are less than 25%.

As AIT is an associate of Taiwan FF, the Controlling Shareholder of the Company, AIT is a Connected Person of the Company under the Listing Rules. The formation of JVC constitutes a connected transaction of the Company. As each of the applicable percentage ratios is more than 2.5% but less than 25% and the consideration exceeds HK\$10 million, the formation of JVC will be subject to reporting, announcement and approval by the Independent Shareholders, at the EGM under the requirements of the Listing Rules.

LETTER FROM THE BOARD

Taiwan FF and its associates will abstain from voting in relation to the resolution approving the Shareholders' Agreement and the transactions contemplated thereunder at the EGM. So far as was known to the Company as at the Latest Practicable Date, Hong Kong GF (being a 99.99% subsidiary of Taiwan FF), which holds and controls the voting rights in respect of 252,000,000 Shares representing 75% of all issued Shares, shall abstain from voting (in respect of all of its holdings in Shares) for the resolution to be proposed at the EGM approving the Shareholders' Agreement and the transactions contemplated thereunder. Save as disclosed, as at the Latest Practicable Date, the Company is not aware of any other Shareholder who is required to abstain from voting at the EGM.

The Independent Board Committee has been established to advise the Independent Shareholders on whether or not the terms of the Shareholders' Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Sun Hung Kai has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

6. EGM AND ACTION TO BE TAKEN

The EGM will be held at Pearl Room, Regus Business Centre, 21/F, ICBC Tower, Citibank Plaza, No. 3 Garden Road, Hong Kong on Thursday, 30 July 2009 at 2:00 p.m. to consider and, if thought fit, approve, the Shareholders' Agreement and the transactions contemplated thereunder. A notice convening the EGM is set out on pages 24 and 25 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 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, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, 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 or any adjournment thereof. 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 Shareholders' Agreement and the transactions contemplated thereunder, and any Shareholder with a material interest thereof and its associates, will not vote upon the proposed resolution approving the Shareholders' Agreement and the transactions contemplated thereunder at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by a poll. Therefore, the resolution to be proposed at the EGM to approve the Shareholders' Agreement and the transactions contemplated thereunder is to be voted upon by way of poll.

LETTER FROM THE BOARD

7. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 10 of this circular which contains its recommendation to the Independent Shareholders. The Independent Board Committee concurs with the opinion of Sun Hung Kai that the entering into the Shareholders' Agreement is in the interests of the Group and Shareholders as a whole, the terms of the Shareholders' Agreement are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the proposed resolution at the EGM.

8. GENERAL

Your attention is drawn to the general information set out in the appendix of this circular.

Yours faithfully,
By order of the Board
Good Friend International Holdings Inc.
Chu Chih-Yaung
Chairman

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)

14 July 2009

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

We have been appointed to form this Independent Board Committee to consider and advise you on the terms of the Shareholders' Agreement, details of which are set out in the circular issued by the Company to the Shareholders dated 14 July 2009 (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.

We wish to draw your attention to the letter from the Board and letter of advice from Sun Hung Kai set out on pages 4 to 9 and pages 11 to 19 of the Circular respectively.

Having taken into account the principal factors and reasons considered by Sun Hung Kai, its conclusion and advice, we concur with the opinion of Sun Hung Kai that the terms of the Shareholders' Agreement are fair and reasonable so far as the Shareholders are concerned 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 Shareholders' 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

LETTER FROM SUN HUNG KAI

The following is the full text of a letter of advice from Sun Hung Kai to the Independent Board Committee and the Independent Shareholders in relation to the Transaction for the purpose of inclusion in this circular.



14 July 2009

*To the Independent Board Committee and the
Independent Shareholders*

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION FORMATION OF JOINT VENTURE

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company in respect of formation of a wholly owned foreign enterprise in the PRC (the “Transaction”), particulars of which are set out in the letter from the Board (the “Board Letter”) contained in the circular of the Company dated 14 July 2009 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

The Board announced that on 23 June 2009, the Company, AIT and AIC entered into the Shareholders’ Agreement for the formation of the JVC. Upon its formation, JVC will be owned as to 35% by the Company, 35% by AIC and 30% by AIT.

The registered capital and total investment amount of JVC shall be US\$7,500,000 and US\$15,000,000 respectively. The amount to be contributed by the Company to the registered capital of JVC is US\$2,625,000. The formation of JVC constitutes a discloseable transaction of the Company as the applicable percentage ratios exceed 5% but are less than 25%.

LETTER FROM SUN HUNG KAI

As AIT is an associate of Taiwan FF, the Controlling Shareholder of the Company, AIT is a Connected Person of the Company. The formation of JVC constitutes a connected transaction of the Company under the Listing Rules. As each of the applicable percentage ratios is more than 2.5% but less than 25% and the consideration exceeds HK\$10 million, the formation of JVC will be subject to reporting, announcement and approval by the Independent Shareholders at the EGM under the requirements of the Listing Rules. Taiwan FF and its associate(s) will abstain from voting in relation to the resolution approving the Shareholders' Agreement and the transactions contemplated thereunder at the EGM.

II. INDEPENDENT BOARD COMMITTEE

An 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 formed to advise the Independent Shareholders as to whether the formation of JVC is in the interests of the Company and the Shareholders as a whole and the terms of the Shareholders' Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

We have been appointed to advise the Independent Board Committee and the Independent Shareholders as to i) whether or not the formation of JVC is in the interests of the Company and the Shareholders as a whole; and ii) whether or not the terms of the Shareholders' Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

III. BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the statements, information, opinions, representations and facts supplied to us by the Company and its advisers. We have assumed that all information and representations contained or referred to in the Circular or otherwise supplied to us by the Company were true at the time they were made and continue to be true as at the Latest Practicable Date. We have assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth and accuracy of the information and facts provided to us. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

LETTER FROM SUN HUNG KAI

Our review and analyses were based upon the information provided by the Company which include, among others, (i) the Shareholders' Agreement; (ii) the annual reports of the Company for three years ended 31 December 2008; (iii) the Announcement; and (iv) public information from the websites of the Hong Kong Trade Development Council, the Tokyo Stock Exchange and the National Bureau of Statistics of China.

We consider that we have been provided with sufficient information to reach an informed view regarding the terms of the Transaction, and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our recommendations. We have no reason to suspect that the Company has withheld any relevant information. We have not, however, carried out any independent verification of the information, nor have we conducted any form of investigation into the businesses, operational aspects, financial standing and affairs of the Group, AIC, AIT and JVC.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as at the Latest Practicable Date. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date.

IV. PRINCIPAL FACTORS CONSIDERED

In formulating our opinion regarding the Transaction, we have taken into consideration the following principal factors:

1. Background of entering into the Shareholders' Agreement

Information on the Group, AIC and AIT

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.

As disclosed in the annual report 2008 of the Company, for the year ended 31 December 2008, the Group recorded a revenue of approximately RMB730.52 million, representing a decrease of approximately 11.1% compared to the previous financial year; profit attributable to equity holders amounted to approximately RMB21.85 million, representing a decrease of approximately 74.3% when compared to the financial year ended 31 December 2007.

LETTER FROM SUN HUNG KAI

As disclosed in the Board Letter, AIC is a company incorporated in Japan with its shares listed on the first section of Tokyo Stock Exchange. AIC is principally engaged in the manufacture and sale of compressors, vacuum pumps and painting equipment and is an Independent Third Party.

According to the public information as disclosed on the website of the Tokyo Stock Exchange, AIC was established in 1926 and listed on the Tokyo Stock Exchange in 1973. As confirmed by Directors, AIC has approximately 30% market share in the air compressor market in Japan with its manufacturing base in Japan and sales network in North America, Europe, Asia and Australia.

As set out in the Board Letter, AIT is a company established in Taiwan, the share capital of which is held predominantly by AIC and Taiwan FF, as to approximately 50.00% and approximately 49.87% respectively. AIT is engaged in the manufacture and sale of AIC's spray painting equipment granted by AIC for various industrial applications in Taiwan and other countries.

Reasons for and benefits of entering into the Shareholders' Agreement

JVC will be located in Hangzhou of the PRC and is principally engaged in the production, manufacture, assembly and supply of air compressors, their components, accessories and spare parts.

As mentioned in the Board Letter, through the establishment of JVC, the Company intends to cooperate with AIC and AIT in the production, assembly and supply of air compressors, their components, accessories and spare parts. By leveraging on the expertise of AIC and AIT, the Company considers the formation of JVC an opportunity to diversify the investment portfolio of the Group and help enlarge the revenue base of the Group as a whole.

In view of the latest business development of the Group disclosed in the Board Letter, we consider that the formation of JVC is consistent with the business pursuit of the Company to diversify the investment portfolio and is therefore in the interests of the Company and the Shareholders as a whole.

LETTER FROM SUN HUNG KAI

2. Business prospects of the JVC

As advised by the Directors, air compressors are widely used in the manufacturing industries, such as food and beverage industry, pharmaceutical industry, semi-conductor industry and car producing industry, etc. in Japan, the PRC and globally.

The recent global financial tsunami has adversely affected the demand and price of consumer products and capital investment in various industry sectors. Nevertheless, the Directors envisage that by the time when the operations of JVC commences (which is expected in 2011), the impact of such financial tsunami may have been settled and the demand for consumer products and the capital investment in various industrial fields may increase accordingly. Further, the Directors considers that it is a good timing for establishing JVC at this moment as the cost for the construction of the plant and other facilities has been driven down as a result of the recent financial tsunami and certain competitors in the field will be eliminated as a result of such financial tsunami. In addition, the Directors are confident that the PRC economy still maintains a rapid growth in the medium to long term, which will boost the demand for consumer goods and also capital investment in various industries in the PRC in the future.

According to the China Statistics Yearbook 2008, which is the latest available official publication, the GDP of the PRC increased from approximately RMB12.03 trillion in 2002 to approximately RMB30.06 trillion in 2008, representing a compound annual growth rate of approximately 12.13% and showing a double-digit annual growth for six consecutive years.

In order to cope with recent global financial tsunami and maintain the economic growth momentum, the State Council of the PRC announced a stimulation plan on 9 November 2008 with a budget of RMB4 trillion aiming at boost domestic demand by increasing fixed asset investment in the coming two years. Areas covered under the stimulation plan include infrastructure, rural development and post-disaster reconstruction.

The State Council of the PRC further announced a new subsidy plan for appliances and vehicles on 19 May 2009. The Chinese government will allocated RMB5 billion to subsidize vehicle upgrades and RMB2 billion to replace home appliances.

LETTER FROM SUN HUNG KAI

As set out in the website of the Hong Kong Trade Development Council, the new subsidy plans are parts of the government's ongoing efforts to stimulate consumption, expand domestic demand, and increase efficiency to reduce pollution. The plan provides owners compensation equivalent to the purchase tax to upgrade small to mid-sized trucks, medium-sized coaches and gasoline-powered and diesel vehicles that fail to meet specified emissions standards. The plan also offers owners subsidies equal to 10% of the price of the new appliance to replace their televisions, refrigerators, washing machines, air conditioners and computers. The subsidies will begin in nine trial areas that will include Shanghai, Beijing, Tianjin and several coastal provinces. China expects to reap RMB1.6 trillion in sales through this move in the next four years.

According to statistics released by the PRC National Bureau of Statistics, retail sales rose 14.8% to RMB934.32 billion in April 2009 as compared with the same period in previous year.

Given that the products of JVC, namely air compressors are widely applicable in various industrial fields which have the potential to grow in line with the growth of the PRC economy as discussed above, we consider that by entering into the Shareholders' Agreement could bring a positive effect on the growth and development of the Group in the medium to long run.

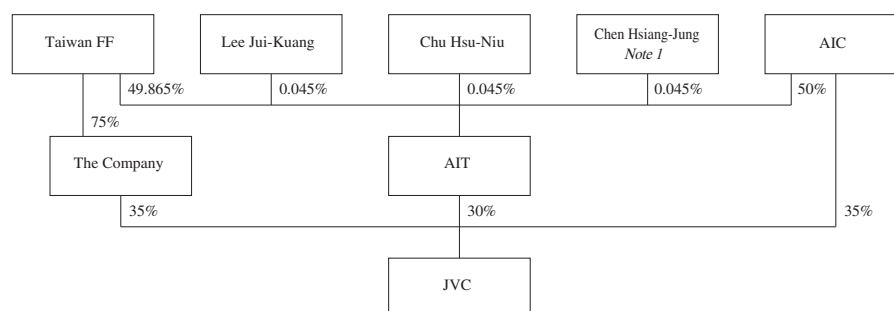
Based on the above, we are of the view that the Transaction is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Shareholders' Agreement

(a) Shareholding structure

As stated in the Board Letter, the terms of the Shareholders' Agreement have been arrived at after arm's length negotiations among the Group, AIT and AIC.

The relevant shareholding structure of JVC upon its formation shall be as follows:–



Note 1: an executive Director

LETTER FROM SUN HUNG KAI

(b) *The investment in JVC*

As stated in the Board Letter, the amount of registered capital that the Company will initially contribute to JVC will be US\$2,625,000. Pursuant to the Shareholders' Agreement, the registered capital will be contributed into JVC in two installments:–

- (i) 20% of which shall be paid within three (3) months from the Business Licence Date; and
- (ii) the remaining 80% shall be paid within twenty-four (24) months from the Business Licence Date.

The Company will satisfy its contribution to the registered capital of JVC in cash by the internal resources of the Group.

The difference between the registered capital and the total investment amount of JVC will be funded by the Company, AIC and AIT in proportion to their respective interest in JVC by way of capital contribution and/or shareholder loans, when considered to be necessary by the board of JVC based on the working capital and business development requirements of JVC from time to time.

Pursuant to the Shareholders' Agreement, the total investment for JVC and the registered capital shall be US\$15,000,000 and US\$7,500,000, respectively. The amount to be contributed by the Company to the registered capital of JVC is US\$2,625,000 while the remaining amount of US\$2,625,000 and US\$2,250,000 will be contributed by AIC and AIT, respectively.

As the contribution amounts to be made by the Group, AIC and AIT are in the proportion of their respective shareholding interests in the registered capital of JVC under the Shareholders' Agreement, we are of the view that the proposed investment of US\$2,625,000 by the Group, being 35% of the registered capital of JVC, has been arrived at on a fair and reasonable basis.

LETTER FROM SUN HUNG KAI

(c) Profit sharing

Pursuant to the Shareholders' Agreement, the Group, AIC and AIT will be entitled to the distributable profits of JVC in the proportion of their respective shareholdings of 35%, 35% and 30% in JVC.

Regarding the profit sharing ratio, which will be in proportion to the respective share of capital contribution by the three partners to JVC, we are of the view that the proposed arrangements are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(d) Board representation and management

Pursuant to the Shareholders' Agreement, the board of JVC will consist of 4 directors, 2 of which shall be appointed by AIC and 2 of which shall be appointed by the Company. The chairman of the board will be appointed by AIC. The quorum of the board meeting of JVC shall be 3, at least one being the nominee of AIC and one being the nominee of the Company.

Given that AIC and the Company are equally represented on the board of JVC, we consider that the terms of the Shareholders' Agreement are fair and reasonable.

We have reviewed the terms of Shareholders' Agreement. We concur with the Directors that the terms of the Shareholders' Agreement are fair and reasonable so far as the Independent Shareholders are concerned and have been arrived at after arm's length negotiations and are of normal commercial terms. Therefore, the entering into of the Shareholders' Agreement is in the interests of the Company and the Shareholders as a whole.

4. Financial effects of the Shareholders' Agreement

Equity method of accounting will be used to account for the financial results of the JVC into the Group's financial statements. As JVC is a newly formed company which has not yet had any business operation, there will be no immediate effect on the earnings of the Group upon the establishment of JVC.

The Directors expect that the Transactions will broaden the revenue base of the Group in the future.

LETTER FROM SUN HUNG KAI

The Directors have confirmed that the Group will have sufficient internal resources to satisfy its obligation under the Shareholders' Agreement to contribute to the registered capital of US\$2,625,000 for the establishment of JVC and the same amount of possible subsequent capital injection.

As set out in the annual report 2008 of the Company, the balance of bank balances and cash of the Group and the net current assets of the Group as at 31 December 2008 amounted to approximately RMB53.88 million and RMB99.97 million, respectively. The capital injection of JVC and the possible subsequent capital injection will account for approximately 66.6% and 35.9% of the bank balances and cash and the net current assets of the Group as at 31 December 2008, respectively. Accordingly, we believe that the Group should have sufficient financial resources to satisfy its capital commitment.

Taking into account of the aforesaid under the Shareholders' Agreement, we consider that the capital injection for the formation of JVC and the possible subsequent capital injection by the Group will not have any material adverse effect on the Group's financial position.

V. RECOMMENDATION

Based on the information and representations provided and opinions given by the Directors and having taken into account the above principal factors and reasons, we are of the view that the Transaction is on normal commercial terms and fair and reasonable so far as the Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Shareholders' Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Sun Hung Kai International Limited
Eric Shum
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. INTERESTS OF DIRECTORS

(a) Interests in the Company and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required pursuant to (a) Division 7 and 8 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; or (b) section 352 of the SFO, to be entered in the register 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:

Name of Director	Name of associated corporation	Number and class of shares held			Total	Approximate percentage of shareholding
		Personal interest	Spouse interest	Family interest		
Mr. Chu Chih-Yaung	Taiwan FF	24,499,243 shares (Note 1)	4,718,925 shares (Note 2)	685,759 shares (Note 3)	29,903,927 shares	18.99%
	友迦工業股份有限公司 (Fairiskq (Taiwan) Co., Ltd) (Note 4)	21,988 shares (Note 1)	21,988 shares (Note 2)	–	43,976 shares	0.44%
	佑泰興實業股份有限公司 (Yu Thai Xin Ent. Co., Ltd) (Note 4)	1,000 shares (Note 1)	1,000 shares (Note 2)	–	2,000 shares	0.02%
	友嘉國際股份有限公司 (Decaview Asia Corporation) (Note 4)	–	50,000 shares (Note 2)	–	50,000 shares	0.59%
	Fair Fine (Hongzhou) Industrial Co., Ltd. (Note 4)	750 shares	–	–	750 shares	0.03%

Name of Director	Name of associated corporation	Number and class of shares held			Total	Approximate percentage of shareholding
		Personal interest	Spouse interest	Family interest		
Mr. Chen Hsiang-Jung	Taiwan FF	4,762,841 shares	-	-	-	3.03%
	友嘉國際股份有限公司 (Decaview Asia Corporation) (Note 4)	10,000 shares	-	-	-	0.12%
	Fair Fine (Hongzhou) Industrial Co., Ltd (Note 4)	750 shares	-	-	750 shares	0.03%
Mr. Chen Min-Ho	友迦工業股份有限公司 (Fairseq (Taiwan) Co., Ltd) (Note 4)	43,976 shares	-	-	-	0.44%

Notes:

1. These shares are held by the relevant Director as beneficial owner.
2. These shares are held by Ms. Wang Tz-Ti (formerly known as Wang Jin-Zu), the spouse of Mr. Chu Chih-Yaung.
3. These shares are held by Mr. Chu Yi-Chia, the son of Mr. Chu Chih-Yaung under the age of 18.
4. These companies are non-wholly-owned subsidiaries of Taiwan FF and are therefore associated corporations of the Company for the purpose of the SFO.

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

None of the Director(s) is a director or employee of a company which has an interest or short position in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Interests in contracts and assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2008, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

3. SERVICE CONTRACTS

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

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates were considered to have any interest in a business which competes or may compete with the business of the Group in the PRC, Hong Kong and Macau.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are of the view that there was no material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. EXPERT AND CONSENT

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

Name	Qualification
Sun Hung Kai International Limited	Sun Hung Kai International Limited, a corporation licensed under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined in the SFO.

As at the Latest Practicable Date, Sun Hung Kai is not beneficially interested in the share capital of any member of the Group, nor has 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, Sun Hung Kai did not have any direct or indirect interest in any asset which had been, since 31 December 2008, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Sun Hung Kai has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 14 July 2009 (as set out on pages 11 to 19 of and made for incorporation in this circular) and references to its name in the form and context in which they respectively appear.

7. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the following documents will be available for inspection at the office of the Company at Room 2003, 20th Floor, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Hong Kong during normal business hours up to and including the date of the EGM:

- The Shareholders' Agreement

8. GENERAL

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

NOTICE OF EGM

GOOD FRIEND INTERNATIONAL HOLDINGS INC.

友佳國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2398)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Good Friend International Holdings Inc. (the “**Company**”) will be held at Pearl Room, Regus Business Centre, 21/F, ICBC Tower, Citibank Plaza, No. 3 Garden Road, Hong Kong on Thursday, 30 July 2009 at 2:00 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 shareholders’ agreement dated 23 June 2009 (the “**Shareholders’ Agreement**”) entered into between the Company, Anest Iwata Corporation and Anest Iwata Taiwan Corporation (a copy of which has been produced to the Meeting marked “A” and initialed by the chairman of the Meeting for identification purpose) in relation to the formation of a wholly owned foreign enterprise in the People’s Republic of China and the transactions contemplated thereunder, be and are hereby confirmed, approved and ratified;
- (b) any one or more director(s) of the Company be and are hereby authorized for and on behalf of the Company to amongst other matters sign, execute and deliver or to authorize the signing, execution and delivery of all such documents and deeds as such director(s) may consider necessary, expedient or desirable to give effect to or otherwise in connection with the Shareholders’ Agreement and the transactions contemplated thereunder.”

By Order of the Board
Good Friend International Holdings Inc.
CHU Chih-Yaung
Chairman

Hong Kong, 14 July 2009

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, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, 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 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.