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GOOD FRIEND INTERNATIONAL HOLDINGS INC.

友佳國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2398)

DISCLOSEABLE AND CONNECTED TRANSACTION FORMATION OF JOINT VENTURE

The Board announces that on 23 June 2009, the Company, AIT and AIC entered into the Shareholders' Agreement for the formation of 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%.

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. An Independent Board Committee has been established to advise the Independent Shareholders in relation to the terms of the Shareholders' Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing details on (i) the terms of the Shareholders' Agreement and the transactions contemplated thereunder; (ii) the respective letters of advice from the Independent Board Committee and the independent financial adviser; and (iii) a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

DETAILS OF 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.

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

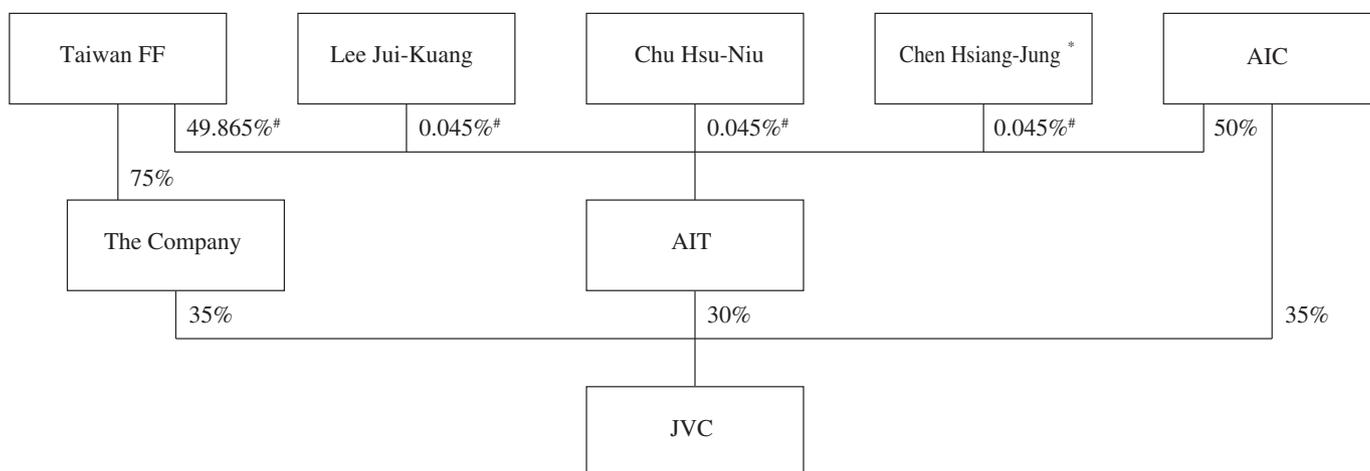
- (i) 20% of which shall be paid within three (3) months from the Business Licence Date; and
- (ii) the remaining 80% shall be paid within twenty-four (24) months from the Business Licence Date.

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

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, except for the independent non-executive Directors, who will express their views in the circular together with the opinion of the independent financial adviser, 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 Shareholders as a whole.

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.

GENERAL

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. 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. An Independent Board Committee has been established to advise the Independent Shareholders in relation to the terms of the Shareholders' Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing details on (i) the terms of the Shareholders' Agreement and the transactions contemplated thereunder; (ii) the respective letters of advice from the Independent Board Committee and the independent financial adviser; and (iii) a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“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
“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

“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“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
“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
“M&A”	the memorandum and articles of association of JVC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“Shareholders”	the shareholders of the Company
“Shareholders’ Agreement”	The conditional agreement dated 23 June 2009 entered into between the Company, AIT and AIC in relation to the formation of JVC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan FF”	Fair Friend Enterprise Company Limited, a limited liability company incorporated in Taiwan on 15 March 1979, and indirectly interested in approximately 75% of the entire issued share capital of the Company

“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

On behalf of the Board
Good Friend International Holdings Inc.
Chu Chih-Yaung
Chairman

Hong Kong, 23 June 2009

As at the date of this announcement, the Board comprises Mr. Chu Chih-Yaung, Mr. Chen Hsiang-Jung, Mr. Chen Min-Ho, Mr. Wen Chi-Tang, Mr. Chiu Rung-Hsien as executive directors and Mr. Koo Fook Sun, Louis, Mr. Chiang Chun-Te and Mr. Yu Yu-Tang as independent non-executive directors.