

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:

CHU Chih-Yaung

(Chairman and Chief Executive Director)

CHEN Min-Ho

WEN Chi-Tang

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Independent Non-Executive Directors:

KOO Fook Sun, Louis

YU Yu-Tang

KAO Wen-Cheng

Principal Place of Business

in Hong Kong:

Room 2003, 20th Floor

Kai Tak Commercial Building

317-319 Des Voeux Road Central

Hong Kong

21 October 2021

To the Shareholders

Dear Sir or Madam

**(1) PROPOSAL FOR THE PRIVATISATION OF
GOOD FRIEND INTERNATIONAL HOLDINGS INC. BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT)
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

1. INTRODUCTION

On 12 August 2021, the Offeror and the Company jointly announced that on 29 July 2021 (after trading hours), the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of the Scheme involving the cancellation of the Scheme Shares and, in consideration thereof, the payment of the Cancellation Price to the Scheme Shareholders, and the withdrawal of the listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively. The Scheme will be carried out by way of a scheme of arrangement under Section 86 of the Companies Act.

If the Proposal is approved and implemented, under the Scheme,

- (i) all the Scheme Shares held by the Scheme Shareholders on the Effective Date will be cancelled in exchange for the payment to each Scheme Shareholder the Cancellation Price in cash for each Scheme Share by the Offeror;
- (ii) the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror;
- (iii) an application will be made to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Effective Date pursuant to Rule 6.15 of the Listing Rules and a notice will be given to the Taiwan Stock Exchange for the withdrawal of the listing of the TDRs on the Taiwan Stock Exchange in accordance with the Operating Rules accordingly; and
- (iv) the withdrawal of the listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively, are expected to take place on the same day and forthwith following the Effective Date.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the Scheme and the expected timetable, and to give you notices of the Court Meeting and the EGM (together with proxy forms in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 38 to 39 of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 40 to 75 of this Scheme Document; (iii) the Explanatory Statement set out on pages 76 to 108 of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix IV of this Scheme Document.

2. TERMS OF THE PROPOSAL

The Proposal will be implemented by way of the Scheme.

The Scheme

Under the Scheme, the Scheme Shareholders will receive from the Offeror the Cancellation Price of HK\$1.50 in cash for every Scheme Share as consideration for the cancellation of the Scheme Shares.

As at the Latest Practicable Date, no dividends or distribution declared by the Company were outstanding. The Company does not intend to declare any dividends or distribution on or before the Effective Date.

As at the Latest Practicable Date, there were 403,074,000 Shares in issue, including 59,281,000 Shares represented by the TDRs. There are no other outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company.

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

Comparison of value

The Cancellation Price has been determined on a commercial basis after taking into account, among others, the prices of the Shares and TDRs traded on the Stock Exchange and the Taiwan Stock Exchange, respectively, and the financial position of the Group as at 31 December 2020. The Cancellation Price of HK\$1.50 per Scheme Share represents:

- a premium of approximately 50.00% over the closing price of HK\$1.00 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 73.81% over the average closing price of approximately HK\$0.86 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 61.58% over the average closing price of approximately HK\$0.93 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 49.01% over the average closing price of approximately HK\$1.01 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 38.89% over the average closing price of approximately HK\$1.08 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;

- a premium of approximately 33.51% over the average closing price of approximately HK\$1.12 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 28.39% over the average closing price of approximately HK\$1.17 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a premium of approximately 15.38% over the audited consolidated net asset value per Share of approximately RMB1.10 (or approximately HK\$1.30 equivalent) as at 31 December 2020, based on the audited net assets of the Company as stated in the consolidated statement of financial position of the Company included in its annual report for the financial year ended 31 December 2020 and 403,074,000 Shares in issue as at the Latest Practicable Date;
- a premium of approximately 31.58% over the unaudited consolidated net asset value per Share of approximately RMB0.97 (or approximately HK\$1.14 equivalent) as at 30 June 2021, based on the unaudited net assets of the Company as stated in the consolidated statement of financial position of the Company included in its interim results announcement for the six months ended 30 June 2021 and 403,074,000 Shares in issue as at the Latest Practicable Date;
- a discount of approximately 20.21% to the re-assessed net asset value per Share of approximately RMB1.57 (or approximately HK\$1.88 equivalent), being such amount calculated based on the unaudited consolidated net asset value attributable to owners of the Company as at 30 June 2021, as adjusted for the revaluation surplus arising from the valuation of the properties of the Group as at 31 August 2021 and its related tax effects, and 403,074,000 Shares in issue as at the Latest Practicable Date; and
- a premium of approximately 5.63% over the closing price of HK\$1.42 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.51 on 19 and 20 April 2021 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.83 during 20 to 28 July 2021.

Total consideration and financial resources

As at the Latest Practicable Date, there were 403,074,000 Shares in issue and the Scheme Shareholders were interested in 148,208,000 Shares (representing approximately 36.77% of the issued share capital of the Company).

On the basis of the Cancellation Price of HK\$1.50 per Scheme Share and 148,208,000 Scheme Shares being in issue as at the Latest Practicable Date and assuming that no further Shares will be issued before the Scheme Record Date, the Scheme Shares are in aggregate valued at approximately HK\$222,312,000, which represents the amount of cash required for the Proposal.

The Offeror's payment obligations to the Scheme Shareholders in respect of the Cancellation Price in cash pursuant to and in accordance with the Scheme shall be fulfilled by the Offeror. The Offeror intends to finance the cash required for the cancellation of the Scheme Shares through the financing facilities granted by a licensed bank in Hong Kong.

UOBKH, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for discharging its obligations in respect of the full implementation of the Scheme in accordance with its terms.

3. CONDITIONS OF THE PROPOSAL AND THE SCHEME

Your attention is drawn to the section headed "Conditions of the Proposal" in the Explanatory Statement on pages 80 to 84 of this Scheme Document.

4. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$10,000,000 divided into 1,000,000,000 Shares, and the Company had 403,074,000 Shares in issue, comprising 343,793,000 Shares and 59,281,000 units of TDRs.

As at the Latest Practicable Date, the Offeror held 232,000,000 Shares, representing approximately 57.56% of the issued share capital of the Company. The Offeror Concert Parties were interested in an aggregate of 23,029,800 Shares, representing an aggregate of approximately 5.71% of the issued share capital of the Company. The Offeror and the Offeror Concert Parties were interested in an aggregate of 255,029,800 Shares, representing an aggregate of approximately 63.27% of the issued share capital of the Company. Such Shares held by the Offeror and the Offeror Concert Parties will not form part of the Scheme Shares and will not be voted on the Scheme at the Court Meeting (except for the 163,800 Shares held by Ms. Wu which will form part of the Scheme Shares and are entitled to be voted on the Scheme at the Court Meeting, but Ms. Wu will abstain from voting on the Scheme at the Court Meeting).

The Offeror is currently the controlling Shareholder, and, under the Scheme, all Scheme Shares will be cancelled upon the Scheme becoming effective. Following cancellation of the Scheme Shares upon the Scheme becoming effective and immediately thereafter, the application of reserve created as a result of the cancellation of the Scheme Shares to increase the issued share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issue to the Offeror of such number of new Shares (credited as fully paid) as is equal to the number of Scheme Shares cancelled, the Offeror's shareholding in the Company will increase from approximately 57.56% as of the Latest Practicable Date to approximately 94.33% upon the Scheme becoming effective.

On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	Number of Shares	Approximate %	Number of Shares	Approximate %
The Offeror (Note 1)	232,000,000	57.56	380,208,000 <i>(Note 10)</i>	94.33
Offeror Concert Parties (Note 1)				
Fair Friend (Note 2)	1,984,000 <i>(Note 7)</i>	0.49	1,984,000	0.49
Sunward Gold Global Investments Limited <i>(Note 3)</i>	20,000,000	4.96	20,000,000	4.96
Close relatives of Mr. Chu (Note 4)	882,000 <i>(Notes 2 and 7)</i>	0.22	882,000	0.22
Ms. Wu (Notes 1 and 5)	163,800	0.04	0	0.00
Sub-total:	23,029,800	5.71	22,866,000	5.67
Aggregate number of Shares held by the Offeror and the Offeror Concert Parties	255,029,800	63.27	403,074,000	100.00
Independent Shareholders (Notes 6 and 8)	88,763,200	22.02	0	0.00
Independent TDR Holders (Note 8)	59,281,000 <i>(Note 7)</i>	14.71	0	0.00
Total number of Scheme Shares	148,208,000 <i>(Note 9)</i>	36.77	0	0.00
Total number of Shares	403,074,000	100.00	403,074,000	100.00

Notes:

1. Shares in which the Offeror and the Offeror Concert Parties are interested will not form part of the Scheme Shares and will not be cancelled (except for the 163,800 Shares in which Ms. Wu is interested will form part of the Scheme Shares and will be cancelled).
2. Mr. Chu is the single largest ultimate beneficial owner, holding directly or indirectly (through companies controlled by him) approximately 24.54% of the entire issued share capital of Fair Friend. Together with the Offeror Concert Parties, they hold in aggregate approximately 44.08% of the issued share capital of Fair Friend, and are therefore the controlling shareholders of Fair Friend. Fair Friend is also owned as to approximately 14.61% by Mega Grant Limited, which is wholly-owned by Mr. Yip Shun Chung, an independent third party of the Offeror. The remaining shares of Fair Friend are held by a wide base of more than 1,000 shareholders with each of them holding not more than 5% of the issued share capital of Fair Friend. Fair Friend is in turn interested in 99.99% of the issued shares of the Offeror.
3. Sunward Gold Global Investments Limited is owned as to approximately 72.22% by Mr. Chu and 27.78% by his close relatives.
4. Two close relatives of Mr. Chu, namely Ms. Chu Pei-Yin and Ms. Chu Wan-Ning, are the holders of 702,000 and 180,000 Shares, respectively as at the Latest Practicable Date.
5. Ms. Wu is an employee of Fair Friend and a shareholder of a company controlled by Mr. Chu, which holds shares in Fair Friend. She is a party acting in concert with the Offeror and will abstain from voting at the Court Meeting. The 163,800 Shares in which she is interested will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective.
6. Independent Shareholders include Mr. Yu Yu-Tang, an independent non-executive Director, who is the holder of 20,000 Shares as at the Latest Practicable Date.
7. Each TDR represents one Share in issue. TDR Holders may exercise their conversion right to convert their TDRs into Shares through the Depository Agent before the Latest Time of Conversion.

8. The Independent Shareholders exclude Ms. Wu, being an Offeror Concert Party and holder of 163,800 Shares as at the Latest Practicable Date.
9. The total number of Scheme Shares consists of 88,763,200 Shares held by Independent Shareholders, 59,281,000 Shares (represented by 59,281,000 units of TDRs) held by Independent TDR Holders and 163,800 Shares held by Ms. Wu.
10. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling the Scheme Shares. On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, forthwith upon such reduction, the issued share capital of the Company will be reduced by the amount of the Scheme Shares cancelled. Forthwith upon such reduction, the issued share capital of the Company will be increased to its former amount prior to the cancellation of the Scheme Shares by the issue at par to the Offeror, credited as fully paid, of the same number of Shares as the number of the Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued to the Offeror.

Following the Effective Date, the Offeror and the Offeror Concert Parties will hold 100% of the issued share capital of the Company, on the assumption that there is no other change in shareholding in the Company before completion of the Proposal.

5. REASONS FOR, AND BENEFITS OF, THE PROPOSAL

You are urged to read carefully the section headed "Reasons for, and benefits of, the Proposal" in the Explanatory Statement on pages 91 to 92 of this Scheme Document.

6. THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP

You are urged to read the section headed "Intention of the Offeror with regard to the Company" in the Explanatory Statement on page 92 of this Scheme Document.

The Board has noted the intentions of the Offeror as disclosed in the above section in the Explanatory Statement.

7. INFORMATION ON THE GROUP AND THE OFFEROR

The Group

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange with the stock code 2398 and the TDRs of which are listed on the Taiwan Stock Exchange with security code 912398. 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.

The Offeror and the Offeror Concert Parties

The Offeror is a company incorporated in Hong Kong with limited liability and is principally engaged in the business of trading of machine tools and components. Fair Friend is a company incorporated in Taiwan with limited liability. Fair Friend and its subsidiaries principally engage in three major divisions of businesses including (1) machine tool division, (2) industry equipment division and (3) green energy division.

The Offeror is interested in approximately 57.56% of the issued share capital of the Company. As at the Latest Practicable Date, the Offeror was owned as to 99.99% by Fair Friend and 0.01% by Mr. Lin. Mr. Chu is the single largest ultimate beneficial owner, holding directly or indirectly (through companies controlled by him) approximately 24.54% of the entire issued share capital of Fair Friend. Together with the Offeror Concert Parties, they hold in aggregate approximately 44.08% of the issued share capital of Fair Friend, and are therefore the controlling shareholders of Fair Friend.

On 23 July 2021, the Offeror has charged 232,000,000 Shares held by it in favour of Zhejiang Shengai Industrial Development Partnership (Limited Partnership)* (“**Zhejiang Shengai**”) 浙江深改產業發展合夥企業(有限合夥), for cash in order to fulfill a security condition by the Offeror for the grant of facilities out of which the Proposal will be funded. The charge will not be subject to enforcement from the Announcement Date until the completion or lapse of the Proposal. Zhejiang Shengai is not a Shareholder and its general partner is Zhejian Fuzhe Equity Investment Fund Management Co., Limited* (浙江富浙股權投資基金管理有限公司)(“**Zhejian Fuzhe**”).

As at the Latest Practicable Date, Fair Friend, Sunward Gold Global Investments Limited, the two close relatives of Mr. Chu (namely Ms. Chu Pei-Yin and Ms. Chu Wan-Ning) and Ms. Wu, each an Offeror Concert Party, were directly interested in 1,984,000 Shares (representing an aggregate of approximately 0.49% of the issued share capital of the Company), 20,000,000 Shares (representing approximately 4.96% of the issued share capital of the Company), 882,000 Shares (representing approximately 0.22% of the issued share capital of the Company) and 163,800 Shares (representing an aggregate of approximately 0.04% of the issued share capital of the Company), respectively. Such Shares held by the Offeror and the Offeror Concert Parties will not form part of the Scheme Shares and will not be voted on the Scheme at the Court Meeting (except for the 163,800 Shares held by Ms. Wu which will form part of the Scheme Shares and are entitled to be voted on the Scheme at the Court Meeting, but Ms. Wu will abstain from voting on the Scheme at the Court Meeting).

8. WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules immediately following the Scheme becoming effective. Listing of the TDRs will also be withdrawn from the Taiwan Stock Exchange upon or after all the Shares are delisted from the Stock Exchange. A detailed timetable of the Scheme is set out in the section headed “Expected Timetable” on pages 15 to 18 of this Scheme Document.

The Scheme Shareholders and TDR Holders will be notified by way of an announcement, published in accordance with Rule 2.07C of the Listing Rules, the Operating Rules, and regulations thereunder, of the exact dates of the last day for dealing in the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively and the day on which the Scheme and the withdrawal of the listing of Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively will become effective.

9. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The Scheme will lapse if any of the Conditions (8) to (12) has not been fulfilled or waived by the Offeror or any of the Conditions (1) to (7) cannot be fulfilled, on or before the Long Stop Date (or such later date as the Offeror, the Company and UOBKH may agree or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive). The listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively, will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, and the Scheme is not approved, all expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

10. OVERSEAS SHAREHOLDERS

This Scheme Document has been prepared for the purposes of complying with the laws of the Cayman Islands, the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong or the Cayman Islands.

The making and implementation of the Proposal to Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements.

It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with the necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

Any acceptance by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their respective advisers that those laws and regulatory requirements have been complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees will give or be subject to the above warranty and representation. If you are in doubt as to your position, you should consult your professional advisers.

In the event that the despatch of the Scheme Document by overseas Scheme Shareholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the Directors regard as unduly onerous or burdensome (or otherwise not in the best interests of the Company or the Shareholders), the Scheme Document will not be despatched to such overseas Scheme Shareholders, if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such overseas Scheme Shareholders. The Executive will be concerned to see that all material information in the Scheme Document is made available to such Scheme Shareholders. In such a case, the Offeror and the Company reserve the right to make arrangements in respect of the Shareholders not resident in Hong Kong in relation to the Proposal. Such arrangements may include notifying any matter in connection with the Scheme or Proposal to the Shareholders having a registered overseas address by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdiction within which such Shareholders are resident. The notice will be deemed to have been sufficiently given despite any failure by such Shareholders to receive or see that notice.

As at the Latest Practicable Date, there were two Shareholders whose addresses as shown in the register of members of the Company were outside Hong Kong. Those two Shareholders included one Shareholder in the British Virgin Islands and one Shareholder in the US. The Company has been advised by the local counsels in the aforementioned jurisdictions that there is no restriction under the respective laws or regulations of those jurisdictions against extending the Scheme automatically or despatching this Scheme Document to those overseas Shareholders. The Scheme will be extended and this Scheme Document will be despatched to those overseas Shareholders. Further announcement(s) will be made if restrictions apply to any overseas Scheme Shareholders.

One unit of TDR represents one Share but the TDR Holders are not registered holders of the Shares as the underlying Shares of the TDRs are deposited with CCASS and are registered under the name of HKSCC Nominees unless the TDR Holders exercise the right to convert the TDRs into Shares. There is a time restriction for the TDR Holders to exercise the right to convert the TDRs into Shares. The TDR Holders may submit conversion applications to convert their TDRs into Shares until 3:00 p.m. on Monday, 1 November 2021. The Offeror and the Offeror Concert Parties will convert all TDR units into Shares before the Latest Time of Conversion.

The TDRs are deposited in Taiwan Depository & Clearing Corporation (“TDCC”). When a TDR Holder intends to convert the TDRs into Shares, the broker of the TDR Holder will instruct the TDCC for the relevant conversion instruction. The broker will then fill out the relevant forms and documents to TDCC, then the TDCC will deduct the relevant TDRs balance in the relevant TDR Holder’s account. Then, the Depository Agent will inform the Custodian Bank for matching with the relevant TDR Holder’s broker in Hong Kong. The conversion will be concluded when it is confirmed that the Shares have been transferred to the account of the relevant TDR Holder’s broker. The conversion from TDRs to Shares will be completed and settled within 10 Business Days of the conversion application.

As at the Latest Practicable Date, the Company had issued 59,281,000 units of TDRs representing 59,281,000 Shares, accounting for approximately 14.71% of the issued share capital of the Company. The underlying Shares of the TDRs have the same rights (including voting right) as of other Shares and thus the TDR Holders may through giving instructions to the Depository Agent to exercise the voting right attached to the underlying Shares if the TDRs are not converted. The voting mechanism at the EGM and the Court Meeting for TDR Holders is explained below.

For the TDR Holders, this Scheme Document will be delivered to the Depository Agent for the Depository Agent to take necessary actions on behalf of the TDR Holders, including delivery of this Scheme Document to the TDR Holders, and collection of voting instructions from the TDR Holders. The Depository Agent will then collate such voting instructions and notify the Custodian Bank to pass on such voting instructions to HKSCC Nominees accordingly as the underlying Shares of the TDRs are deposited with CCASS.

In respect of the voting mechanism for the TDR Holders at the EGM, pursuant to the Depository Agreement, if the Depository Agent receives the same instructions from the TDR Holders holding more than 50% of the units of TDRs issued to vote on a particular resolution at the EGM, then the Depository Agent, the Custodian Bank or their nominee shall attend the EGM and cast vote according to all the instructions they received, which includes casting the votes for and casting the votes against that particular resolution at the EGM. The Depository Agent, the Custodian Bank or their nominee shall not be allowed to vote on behalf of the TDR Holders that have not given any instructions.

If the Depository Agent does not receive the same instruction from the TDR Holders holding more than 50% of the units of TDRs issued, then the Depository Agent shall notify the Custodian Bank or their nominee to issue a proxy to the chairman of the Board (or his designate) to cast vote on behalf of all TDR Holders in respect of all relevant TDRs underlying Shares, and for this purpose, the Company undertakes that the person (the “**Designated Person**”) who will cast vote on behalf of all TDR Holders in respect of all relevant TDRs underlying Shares shall not be the Offeror or an Offeror Concert Party and shall be a professional party who is independent of any of them. However, if the Company (with the authorisation from the Board) objects to such arrangement or the Depository Agent reasonably believes that the granting of such proxy is materially not in the interest of the TDR Holders in the circumstance that the right of the TDR Holders would be prejudiced unfairly or unreasonably as a result of granting such proxy, then the Depository Agent shall attend the EGM but shall not exercise any voting right in respect of the TDRs underlying Shares.

In respect of the voting mechanism for the TDR Holders at the Court Meeting, the Depository Agent will give instruction to the Custodian Bank based on the responses from the TDR Holders. If the only response from the TDR Holders is “yes”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees to vote for “yes”. If the only response from the TDR Holders is “no”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees to vote for “no”. If the response from the TDR Holders is both “yes” and “no”, then the Depository Agent will instruct the Custodian Bank to give instruction to HKSCC Nominees to vote for both “yes” and “no” which is permissible for HKSCC Nominees. One unit of TDR represents one Share. For the purpose of votes counting, it will depend on the number of TDR underlying Shares represented by the relevant units of TDRs that voted for and against the relevant resolution respectively. If there is no response from the TDR Holders, then the Depository Agent will relay the message to the Custodian Bank and the Custodian Bank will not give any instruction to HKSCC Nominees.

The voting procedure of HKSCC Nominees will then be the same as for other Shares registered under its name. For the purpose of the headcount test, if HKSCC Nominees receives instructions to vote both for and against the Scheme, it will be counted as one Shareholder under “for” and as one Shareholder under “against”. Once the Depository Agent directs the Custodian Bank to give instructions to HKSCC Nominees according to the response from TDR Holders, the voting procedure of HKSCC Nominees regarding the TDR Holders will be the same as for other Shareholders for the purpose of the headcount test at the Court Meeting.

On the basis that the Scheme becomes effective on Thursday, 9 December 2021 (Cayman Islands time), a cheque for the cash entitlements to the Scheme Shareholders will be despatched to the recipients to their registered addresses shown in the register of members of the Company at the Scheme Record Time on the Scheme Record Date on or before Monday, 20 December 2021 and the Custodian Bank will accordingly pay the relevant amount to the Depository Agent upon receipt of such payment from HKSCC Nominees. The Depository Agent will further make the relevant payments to the TDR Holders on or about Wednesday, 5 January 2022.

Under Taiwan laws, there are no appraisal rights for the TDR Holders to petition to the Taiwan court for buying back the cancelled TDRs, the underlying Shares of which have been cancelled in exchange for the Cancellation Price, based on fair market value.

In view of the Cancellation Price to be paid to the Scheme Shares, including the underlying Shares of the TDRs held by TDR Holders, the Offeror has sought advice from its Taiwan legal adviser, Tsar & Tsai Law Firm. Based on such legal advice, the Company confirmed that it has no obligation to repurchase the TDRs, the underlying Shares of which have been cancelled in exchange for the Cancellation Price, at a price equal to or no less than the net asset value of the Company on the following basis:

(a) The minimum cancellation price for TDRs

The prospectus of the TDR issuance, the TDR issuance terms and conditions and the Depository Agreement do not regulate the minimum consideration payable to TDR Holders in the event that the underlying shares of the TDRs are cancelled and extinguished due to the approved Scheme pursuant to applicable foreign laws.

(b) The repurchase of TDRs by the Company

When the Scheme Shares are cancelled and extinguished in exchange for the Cancellation Price under the Scheme, the TDRs should also be deemed cancelled and extinguished given they are attached to the Scheme Shares. The TDRs will be delisted from the Taiwan Stock Exchange after all ordinary shares are delisted from the Stock Exchange.

(c) Possible dissenting TDR Holders

There are no laws in Taiwan enabling the TDR Holders to require the Company to purchase and cancel the underlying Shares of the TDRs at a different price payable to each Scheme Share.

As advised by Tsar & Tsai Law Firm, the rules of the Taiwan Stock Exchange do not require a separate Shareholders' resolution for approving the delisting of TDRs after the underlying Shares are delisted. If the TDR Holders disagree with the Scheme, they can exercise their rights pursuant to the Depository Agreement to vote against the Scheme or to sell the TDRs or the converted Shares.

If you are an overseas holder of the Scheme Shares, your attention is also drawn to the section headed "Overseas Shareholders" in the Explanatory Statement on pages 96 to 101 of this Scheme Document.

11. GENERAL

As at the Latest Practicable Date:

- (a) save as disclosed in the section headed "Shareholding Structure of the Company" above, none of the Offeror and the Offeror Concert Parties owned, controlled or had direction over any voting rights and rights over Shares;
- (b) none of the Offeror and the Offeror Concert Parties had received an irrevocable commitment to vote for or against the Scheme;
- (c) none of the Offeror and the Offeror Concert Parties held any convertible securities, warrants or options in respect of voting rights and rights over Shares;
- (d) save (i) for the Proposal and (ii) as disclosed in this Scheme Document, there were no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of the Offeror between the Offeror or any of the Offeror Concert Parties and any other person which might be material to the Proposal and/or the Scheme;
- (e) save for the conditions disclosed in the section headed "Conditions of the Proposal and the Scheme" in the Explanatory Statement, there was no agreement or arrangement to which the Offeror is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposal and/or the Scheme;
- (f) none of the Offeror and the Offeror Concert Parties had entered into any outstanding derivative in respect of securities in the Company;

- (g) none of the Offeror and the Offeror Concert Parties had borrowed or lent any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (h) save for the Cancellation Price payable under the Scheme, there were no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror and the Offeror Concert Parties to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares; and
- (i) there were no agreement, arrangement, understanding or special deal (as defined under Rule 25 of the Takeover Code) between (i) any Shareholder; and (ii)(a) the Offeror and any Offeror Concert Parties or (b) the Company, its subsidiaries or associated companies.

12. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which comprises the independent non-executive Directors, namely Mr. Koo Fook Sun, Louis, Mr. Yu Yu-Tang and Mr. Kao Wen-Cheng, has been established by the Board to make a recommendation to the Independent Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable and as to how to vote on the Scheme at the Court Meeting and the resolutions to be proposed at the EGM.

Mr. Chu, the single largest ultimate beneficial owner of the Offeror, has abstained and will continue to abstain from voting at meetings of the Board in relation to the Proposal given his material interest in the Proposal.

The full text of the letter from the Independent Board Committee is set out on pages 38 to 39 of this Scheme Document.

13. INDEPENDENT FINANCIAL ADVISER

Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme. The appointment of Somerley as the Independent Financial Adviser has been approved by the Independent Board Committee.

The full text of the letter from the Independent Financial Adviser is set out on pages 40 to 75 of this Scheme Document.

14. COURT MEETING AND EGM

For the purpose of exercising your right to vote at the Court Meeting and the EGM, you are requested to read carefully the section headed "Court Meeting and EGM" in the Explanatory Statement on pages 101 to 103 of this Scheme Document, the section headed "Actions to be taken" on pages 1 to 6 of this Scheme Document, and the notice of the Court Meeting and the notice of the EGM on pages V-1 to V-3 and pages VI-1 to VI-4, respectively, of this Scheme Document.

15. ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out under the section headed "Actions to be taken" on pages 1 to 6 of this Scheme Document and the section headed "Actions to be taken" in the Explanatory Statement on pages 103 to 108 of this Scheme Document.

16. RECOMMENDATIONS

The full text of the letter from the Independent Financial Adviser containing its recommendations and the principal factors and reasons that it has taken into consideration in arriving at its recommendations is set out on pages 40 to 75 of this Scheme Document. We would advise you to read this letter and the letter from the Independent Financial Adviser carefully before you take any action in respect of the Proposal.

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the letter from the Independent Financial Adviser on pages 40 to 75 of the Scheme Document, has set out its recommendations on pages 38 to 39 of this Scheme Document.

17. TAXATION

It is emphasised that none of the Offeror, the Company, UOBKH, the Independent Financial Adviser and the Share Registrar or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons or persons as a result of their acceptance or rejection of the Proposal.

Accordingly, you are urged to read the section entitled "Taxation and Independent Advice" in the Explanatory Statement set out on page 101 of this Scheme Document and if you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

18. FURTHER INFORMATION

You are urged to read carefully the letter from the Independent Board Committee set out on pages 38 to 39 of this Scheme Document, the letter from the Independent Financial Adviser set out on pages 40 to 75 of this Scheme Document, the Explanatory Statement, the Scheme, the notice of the Court Meeting and the notice of the EGM on pages 76 to 108, IV-1 to IV-11, V-1 to V-3 and VI-1 to VI-4, respectively, of this Scheme Document and the other appendices to this Scheme Document.

Yours faithfully
By order of the Board
Good Friend International Holdings Inc.

A handwritten signature in black ink, appearing to read "Chitang Wen", is written over a light gray rectangular background.

Wen Chi-Tang
Director

* For identification purpose only