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GOOD FRIEND (H.K.) CORPORATION LIMITED

(Incorporated in Hong Kong with limited liability)

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)

JOINT ANNOUNCEMENT

(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)

(2) PROPOSED WITHDRAWAL OF LISTING

(3) ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE

AND

(4) RESUMPTION OF TRADING IN SHARES

Financial Adviser to the Offeror

UOBKayHian

THE PROPOSAL

The Offeror and the Company jointly announce 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 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.

TERMS OF THE PROPOSAL

The Proposal will be implemented by way of 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 held as at the Effective Date.

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.

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 implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of all the Conditions as described in the section headed “3. Conditions of the Proposal and the Scheme” below. All of the Conditions will have to be fulfilled or waived, as applicable, 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), failing which the Proposal and the Scheme will lapse.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Announcement Date, the authorised share capital of the Company is HK\$10,000,000 divided into 1,000,000,000 Shares, and the Company has 403,074,000 Shares in issue.

As at the Announcement Date, the Offeror holds 232,000,000 Shares (representing approximately 57.56% of the issued share capital of the Company). The Offeror Concert Parties are interested in an aggregate of 23,029,800 Shares (comprising 20,604,800 Shares and 2,425,000 units of TDRs, representing an aggregate of approximately 5.71% of the issued share capital of the Company). The Offeror and the Offeror Concert Parties are interested in an aggregate of 255,029,800 Shares (comprising 252,604,800 Shares and 2,425,000 units of TDRs, representing an aggregate of approximately 63.27% of the issued share capital of the Company). The 2,425,000 units of TDRs held by the Offeror Concert Parties will be converted into 2,425,000 Shares before the latest time of conversion of the TDRs into Shares in accordance with the timetable to be included in the Scheme Document. 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 (represented by 108,800 Shares and 55,000 units of TDRs) held by Ms. Wu which will form part of the Scheme Shares but will not be voted on the Scheme at the Court Meeting).

TOTAL CONSIDERATION AND FINANCIAL RESOURCES

As at the Announcement Date, there are 403,074,000 Shares in issue and the Scheme Shareholders are 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 Announcement Date and assuming that no further Shares will be issued before the 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.

INDEPENDENT BOARD COMMITTEE

An 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 described in Condition (3) in the section headed "3. Conditions of the Proposal and the Scheme" of this Joint Announcement at the EGM. Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee comprises all non-executive Directors who have no direct or indirect interest in the Proposal. The Independent Board Committee has reserved its opinion pending the advice of the independent financial adviser.

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.

FINANCIAL ADVISER TO THE OFFEROR AND INDEPENDENT FINANCIAL ADVISER

The Offeror has appointed UOBKH as its financial adviser in connection with the Proposal.

An independent financial adviser will be appointed (with the approval of the Independent Board Committee) to advise the Independent Board Committee in connection with the Proposal and the Scheme.

DESPATCH OF SCHEME DOCUMENT

The Scheme Document containing, among others, further details of the Proposal and the Scheme, the expected timetable, an explanatory memorandum as required under the Companies Act and the rules of the Grand Court, information regarding the Company, recommendations from the Independent Board Committee with respect to the Proposal and the Scheme, the letter of advice from the independent financial adviser, a notice of the Court Meeting and a notice of the EGM, together with forms of proxy in relation thereto, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Act, the Grand Court and other applicable laws and regulations.

WITHDRAWAL OF LISTING OF SHARES AND TDRS

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.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

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.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted from 9:00 a.m. on Friday, 30 July 2021 pending the release of this Joint Announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Friday, 13 August 2021.

WARNINGS

Shareholders and potential investors of the Company should be aware that the implementation of the Proposal and the Scheme are subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

This Joint Announcement is not intended to and does not constitute, or form part of, any offer to sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Proposal or otherwise, nor shall there be any sale, issuance or transfer of securities of the Company in any jurisdiction in contravention of applicable law. The Proposal will be made solely through the Scheme Document, which will contain the full terms and conditions of the Proposal, including details of how to vote in favour or against of the Proposal. *This Joint Announcement is not for release, publication or distribution in or into any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.* Any acceptance or other response to the Proposal should be made only on the basis of information in the Scheme Document or any other document by which the Proposal is made.

The availability of the Proposal to persons who are not resident in Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or of which they are citizens. Persons who are not resident in Hong Kong should inform themselves about, and observe, any applicable legal or regulatory requirements of their jurisdictions. Further details in relation to overseas Shareholders will be contained in the Scheme Document.

1. INTRODUCTION

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.

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 Announcement 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 Announcement Date, there are 403,074,000 Shares in issue, including 67,200,000 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.

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; and
- a premium of approximately 15.38% over the audited 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 Group 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 Announcement Date.

During the six-month period preceding and including the Last Trading Day, 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 Announcement Date, there are 403,074,000 Shares in issue and the Scheme Shareholders are 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 Announcement Date and assuming that no further Shares will be issued before the 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

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of the following:

- (1) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;
- (2)
 - (a) the Scheme is approved (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and
 - (b) the number of votes cast (by way of poll) by Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all Independent Shareholders;

- (3) (a) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to the reduction of the number of issued Shares in the share capital of the Company by cancelling and extinguishing the Scheme Shares;
 - (b) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve the withdrawal of listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively upon the Scheme becoming effective; and
 - (c) the passing of an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to immediately thereafter restore the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares by an application of the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, to be allotted and issued to the Offeror;
- (4) the sanction of the Scheme (with or without modifications) by the Grand Court and, to the extent necessary, its confirmation of the reduction of the number of issued Shares in the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (5) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Act in relation to the reduction of the issued share capital of the Company involved in the Scheme;
- (6) all necessary Authorisations in connection with the Proposal required before the Scheme becoming effective having been obtained from, given by or made with or by (as the case may be) the Relevant Authorities and remaining in full force and effect without modification, in the Cayman Islands, Hong Kong, Taiwan and any other relevant jurisdictions;
- (7) all necessary Authorisations in connection with the Proposal required before the Scheme becoming effective remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;

- (8) all necessary consents in connection with the Proposal and the Scheme which may be required under any existing contractual obligations of the Company being obtained and remained in effect or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group;
- (9) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), from the Announcement Date up to the date when all the Conditions are satisfied or validly waived (as applicable), other than such actions, proceedings, suits, investigation or enquiry as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (10) from the Announcement Date up to the date when all the Conditions are satisfied or validly waived (as applicable), there being no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Company and its subsidiaries taken as a whole or in the context of the Proposal) as a consequence of the implementation of the Proposal or the Scheme could or might reasonably result in;
- (11) each member of the Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, receiver or other person carrying out any similar function having been appointed anywhere in the world in respect of the whole or any substantial part of the assets and undertakings of any member of the Group up to the date immediately preceding the Effective Date, in each case which is material and adverse in the context of the Group taken as a whole; and
- (12) save as publicly announced prior to the Announcement Date, there not having been any instituted or remaining outstanding litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings will be threatened in writing against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member will be threatened in writing, announced, instituted or remain outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal.

The Company is incorporated in the Cayman Islands, and the operations of the Group are mainly in the PRC. The shareholders of the Offeror and its concert parties are Taiwan citizens, and the increase of the interests by the Offeror in the Company may be considered as overseas investments by Taiwan citizens.

The ultimate beneficial shareholders of the Offeror may consequently be required to obtain the approval from and/or make filings to the Investment Commission of the Ministry of Economic Affairs of Taiwan (經濟部投資審議委員會) for such increase in interests in the Company. The Company is in the process of making enquiries with the relevant authorities in Taiwan on whether an approval is required or only filing is required in respect of the Proposal. If the aforementioned approval is required, the obtaining of such approval will be part of Condition (6) above. If only filing is required, it will be made after the Scheme becomes effective and will not be a condition to the Proposal. In relation to Conditions (6) and (7), apart from the aforementioned, the Offeror is not aware of any other Authorisations which is necessary for the Proposal. In respect of Conditions (8) to (12), the Offeror is not aware of any Authorisations or consents which are required, and/or any other matter that would constitute a breach of Conditions (8) to (12).

The Offeror reserves the right to waive Conditions (8) to (12) either in whole or in part, either generally or in respect of any particular matter. Conditions (1) to (7) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of a material significance to the Offeror in the context of the Proposal. All of the Conditions will have to be fulfilled or waived, as applicable, 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), failing which the Proposal and the Scheme will lapse.

The Company has no right to waive any of the Conditions.

A detailed expected timetable will be included in the Scheme Document.

None of the Offeror and the Offeror Concert Parties has dealt in any kind in the securities (including convertible securities, warrants, options and derivatives in respect of such securities) of the Company during the six months preceding the Announcement Date. None of the Offeror and the Offeror Concert Parties will sell any securities in the Company during the offer period (as defined in the Takeovers Code) except with the prior consent of the Executive and in accordance with the Takeovers Code.

WARNINGS

Shareholders and potential investors of the Company should be aware that the implementation of the Proposal and the Scheme are subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

4. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Announcement Date, the authorised share capital of the Company is HK\$10,000,000 divided into 1,000,000,000 Shares, and the Company has 403,074,000 Shares in issue, comprising 335,874,000 Shares and 67,200,000 units of TDRs.

As at the Announcement Date, the Offeror holds 232,000,000 Shares (representing approximately 57.56% of the issued share capital of the Company). The Offeror Concert Parties are interested in an aggregate of 23,029,800 Shares (comprising 20,604,800 Shares and 2,425,000 units of TDRs, representing an aggregate of approximately 5.71% of the issued share capital of the Company). The Offeror and the Offeror Concert Parties are interested in an aggregate of 255,029,800 Shares (comprising 252,604,800 Shares and 2,425,000 units of TDRs, representing an aggregate of approximately 63.27% of the issued share capital of the Company). The 2,425,000 units of TDRs held by the Offeror Concert Parties will be converted into 2,425,000 Shares before the latest time of conversion of the TDRs into Shares in accordance with the timetable to be included in the Scheme Document. 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 (represented by 108,800 Shares and 55,000 units of TDRs) held by Ms. Wu which will form part of the Scheme Shares but will not be voted on the Scheme at the Court Meeting).

The Offeror is currently the controlling Shareholder, and will, under the Scheme, cancel all Scheme Shares 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 Announcement Date to approximately 94.32% 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 Announcement Date and immediately upon completion of the Proposal:

Shareholders	As at the Announcement Date		Immediately upon completion of the Proposal	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
The Offeror (Note 1)	232,000,000	57.56	380,208,000 <i>(Note 11)</i>	94.32
<i>Offeror Concert Parties (Note 1)</i>				
Fair Friend (Note 2)	1,984,000 <i>(Notes 7 and 8)</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 8)</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 (Note 9)	83,269,200	20.65	0	0.00
Independent TDR Holders (Notes 6 and 9)	64,775,000 <i>(Notes 6 and 8)</i>	16.07	0	0.00
Total number of Scheme Shares	148,208,000 <i>(Note 10)</i>	36.77	0	0.00
Total number of Shares	403,074,000	100.00	403,074,000	100.00

Notes:

- 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 (represented by 108,800 Shares and 55,000 units of TDRs) 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 are the holders of 702,000 and 180,000 units of TDRs, respectively as at the Announcement Date. They will exercise the conversion right to convert all of their respective TDRs into Shares before the latest time of conversion of the TDRs into Shares in accordance with the timetable to be included in the Scheme Document.
5. Ms. Wu is the holder of 108,800 Shares and 55,000 units of TDRs as at the Announcement Date. She is an employee of Fair Friend and a shareholder of a company controlled by Mr. Chu, which holds shares in Fair Friend, and she is a party acting in concert with the Offeror and will abstain from voting at the Court Meeting. The 163,800 Shares (represented by 108,800 Shares and 55,000 units of TDRs) in which she is interested will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Ms. Wu will exercise the conversion right to convert all 55,000 units of TDRs into 55,000 Shares before the latest time of conversion of the TDRs into Shares in accordance with the timetable to be included in the Scheme Document.
6. Independent TDR Holders includes Mr. Yu Yu-Tang, an independent non-executive Director, who is the holder of 20,000 units of TDRs as at the Announcement Date. Mr. Yu Yu-Tang will exercise the conversion right to convert all 20,000 units of TDRs into 20,000 Shares before the latest time of conversion of the TDRs into Shares in accordance with the timetable to be included in the Scheme Document.
7. The 1,984,000 Shares in which Fair Friend is interested represent the aggregate of 496,000 Shares and 1,488,000 units of TDRs held by Fair Friend as at the Announcement Date. Fair Friend will exercise the conversion right to convert all 1,488,000 units of TDRs into 1,488,000 Shares before the latest time of conversion of the TDRs into Shares in accordance with the timetable to be included in the Scheme Document.
8. Each TDR represents one Share in issue. TDR Holders may exercise their conversion right to convert their TDRs into Shares through the Depository Agent in accordance with the timetable to be included in the Scheme Document.
9. The Independent Shareholders exclude Ms. Wu, being an Offeror Concert Party and holder of 108,800 Shares as at the Announcement Date. The Independent TDR Holders (i) include Mr. Yu Yu-Tang, an independent non-executive Director and holder of 20,000 units of TDRs, and (ii) exclude the close relatives of Mr. Chu, Ms. Wu and Fair Friend, each being an Offeror Concert Party and holder(s) of 882,000, 55,000 and 1,488,000 units of TDRs, respectively, as at the Announcement Date.

10. The total number of Scheme Shares consists of 83,269,200 Shares held by Independent Shareholders, 64,775,000 Shares (represented by 64,775,000 units of TDRs) held by Independent TDR Holders and 163,800 Shares (represented by 108,800 Shares and 55,000 units of TDRs) held by Ms. Wu.
11. 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 acquired and 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.

5. REASONS FOR, AND BENEFITS OF, THE PROPOSAL

(i) The Proposal will allow the Company more flexibility in implementing its long-term growth strategy

Implementation of the Proposal will permit the Offeror and the Company to make strategic decisions focused on long-term growth and benefits, free from regulatory constraints from the perspective of managing a publicly listed company, the pressure of market expectations and share price fluctuations which arise from being a publicly listed company.

(ii) An opportunity for Scheme Shareholders to realise their investment at a premium

During the six-month period preceding and including the Last Trading Day, the lowest and highest closing prices per Share on the Stock Exchange were HK\$0.83 and HK\$1.51, respectively, with a simple average closing price of approximately HK\$1.12. The Offeror believes that the Cancellation Price of HK\$1.50 per Share represents a premium to the prices at which the market had valued the Company and the consolidated net asset value per Share as of 31 December 2020, and therefore, the Proposal provides the Scheme Shareholders an attractive exit premium and opportunity to realise their investment in return for cash, and redeploy into other investment opportunities that they may be considered more attractive.

The Proposal is intended to provide the Scheme Shareholders with an attractive opportunity to realise their investments in the Company for cash at a premium. The Cancellation Price represents a premium of approximately (i) 50.00% over the closing price of the Shares on the Last Trading Day; (ii) 73.81% over the average closing price of the Shares for the 10 trading days up to and including the Last Trading Day; (iii) 61.58% over the average closing price of the Shares for the 30 trading days up to and including the Last Trading Day; (iv) 49.01% over the average closing price of the Shares for the 60 trading days up to and including the Last Trading Day; (v) 38.89% over the average closing price of the Shares for the 90 trading days up to and including the Last Trading Day; and (vi) 15.38% over the audited consolidated net asset value per Share as at 31 December 2020.

(iii) Lack of benefit from maintaining the listing status of the Company

The Company has not been successful in utilising its listing status in Hong Kong for any equity fund raising activities in recent years, nor has it been able to attract any prospective strategic or financial investors to further commit any resources. The listing status is not expected to provide any benefit to the Company in the near term but would involve administrative, compliance and other listing-related costs and expenses being incurred. The Proposal entails the privatisation and delisting of the Company and is expected to substantially reduce the administrative costs and management resources to be committed in maintaining its listing status in Hong Kong and Taiwan and compliance with regulatory requirements in the near term.

(iv) Low trading liquidity of the Shares

The trading liquidity of the Shares has been at a relatively low level over a prolonged period in recent years, with an average daily trading volume of approximately 9,143 Shares for the two months up to and including the Last Trading Day, representing less than approximately 0.01% of the total issued Shares as at the Last Trading Day. The low trading liquidity of the Shares has rendered it difficult for Shareholders to execute substantial on-market disposals timely without adversely affecting the price of the Shares. Additionally, the low trading liquidity of Shares hinders the Company's ability to raise further funds from the equity market for the Group's business developments.

6. INTENTION OF THE OFFEROR WITH REGARD TO THE COMPANY

Following the implementation of the Proposal, the Offeror intends that the Group will continue to carry on its business of 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 has no intention to initiate any major redeployment of fixed assets or any material change to the continued employment of employees of the Group.

The Offeror Concert Parties (including Mr. Chu) are considering appropriate plans to optimize its overall private business portfolio, which may consist of combining selected business of the Company with a view to achieving a listing of the restructured business on a stock exchange outside Hong Kong, if the Scheme and the withdrawal of the listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively, have become effective, and subject to further feasibility studies.

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. 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 Announcement Date, the Offeror is 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).

As at the Announcement Date, Fair Friend, Sunward Gold Global Investments Limited, two close relatives of Mr. Chu and Ms. Wu, each an Offeror Concert Party, are directly interested in 1,984,000 Shares (comprising 496,000 Shares and 1,488,000 units of TDRs, 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 units of TDRs (representing approximately 0.22% of the issued share capital of the Company), and 163,800 Shares (comprising 108,800 Shares and 55,000 units of TDRs, representing an aggregate of approximately 0.04% of the issued share capital of the Company), respectively. The 2,425,000 units of TDRs held by the Offeror Concert Parties will be converted into 2,425,000 Shares before the latest time of conversion of the TDRs into Shares in accordance with the timetable to be included in the Scheme Document. 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 (represented by 108,800 Shares and 55,000 units of TDRs) held by Ms. Wu which will form part of the Scheme Shares but will not be voted on the Scheme at the Court Meeting).

8. WITHDRAWAL OF LISTING OF SHARES AND TDRS

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.

The Scheme Shareholders and TDR Holders will be notified by way of an announcement 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. A detailed timetable of the Scheme will be included in the Scheme Document, which will also contain, among other things, further details of the Scheme.

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

The making of the Proposal to the 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 overseas 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 an 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, or the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes in such jurisdiction. Any acceptance by such overseas Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Company, the Offeror and their respective advisers, that those laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

As at the Announcement Date, there are two Shareholders whose addresses as shown in the register of members of the Company were outside Hong Kong. In the event that the despatch of the Scheme Document to 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 its Shareholders, the Scheme Document may not be despatched to such overseas Scheme Shareholders. For that purpose, the Offeror will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. If any such waivers are granted by the Executive, the Offeror reserves the right to make arrangements in respect of Scheme Shareholders not resident in Hong Kong in relation to the terms of the Proposal. Such arrangements may include notifying any matter in connection with the 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 persons are resident. The notice will be deemed to have been sufficiently given, despite any failure by such Shareholders to receive or see that notice. If the relevant waivers are not obtained, or are granted with conditions, the Offeror will exercise its best effort to comply with the conditions imposed by the Executive and the laws of the relevant jurisdictions in which the overseas Shareholders are located and to proceed with the Proposal.

For the TDR Holders, the Scheme Document will be delivered to the Depository Agent for the Depository Agent to take necessary actions on behalf of the TDR Holders, such as relaying messages including notices to the TDR Holders, receiving applications from the TDR Holders to convert their TDRs into Shares and handling payments to the Independent TDR Holders on behalf of the Shareholders.

Independent Shareholders and TDR Holders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal. It is emphasized that none of the Offeror, the Company and UOBKH 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 as a result of their acceptance or rejection of the Proposal.

11. SCHEME SHARES, COURT MEETING AND EGM

As at the Announcement Date, the Offeror holds 232,000,000 Shares (representing approximately 57.56% of the issued share capital of the Company). The Offeror Concert Parties are interested in an aggregate of 23,029,800 Shares (comprising 20,604,800 Shares and 2,425,000 units of TDRs, representing an aggregate of approximately 5.71% of the issued share capital of the Company). The Offeror and the Offeror Concert Parties are interested in an aggregate of 255,029,800 Shares (comprising 252,604,800 Shares and 2,425,000 units of TDRs, representing an aggregate of approximately 63.27% of the issued share capital of the Company). The 2,425,000 units of TDRs held by the Offeror Concert Parties will be converted into 2,425,000 Shares before the latest time of conversion of the TDRs into Shares in accordance with the timetable to be included in the Scheme Document. 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 (represented by 108,800 Shares and 55,000 units of TDRs) held by Ms. Wu which will form part of the Scheme Shares but will not be voted on the Scheme at the Court Meeting).

All Scheme Shareholders will be entitled to attend and vote on the Scheme at the Court Meeting. None of the Offeror and the Offeror Concert Parties, or their respective concert parties, who hold Shares will vote on the resolution described in paragraphs (1) to (2) under the section headed “3. Conditions of the Proposal and the Scheme”.

All Shareholders will be entitled to attend the EGM and vote on (i) the special resolution to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares as a result of the Scheme; (ii) the ordinary resolution to immediately thereafter increase the number of Shares in the issued share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares by an application of the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, to be allotted and issued to the Offeror; and (iii) the special resolution to approve the withdrawal of the listing of the Shares and the TDRs on the Stock Exchange and the Taiwan Stock Exchange, respectively upon the Scheme becoming effective.

The Offeror and the Offeror Concert Parties will undertake to the Grand Court that they will be bound by the Scheme, so as to ensure that they will be subject to the terms and conditions of the Scheme.

The Offeror and the Offeror Concert Parties have undertaken that if the Scheme is approved at the Court Meeting, they will cast the votes in respect of those Shares held by them in favour of the resolutions to be proposed at the EGM.

12. INDEPENDENT BOARD COMMITTEE

An 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 described in Condition (3) in the section headed “3. Conditions of the Proposal and the Scheme” of this Joint Announcement at the EGM. Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee comprises all non-executive Directors who have no direct or indirect interest in the Proposal. The Independent Board Committee has reserved its opinion pending the advice of the independent financial adviser.

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.

13. FINANCIAL ADVISER TO THE OFFEROR AND INDEPENDENT FINANCIAL ADVISER

The Offeror has appointed UOBKH as its financial adviser in connection with the Proposal.

An independent financial adviser will be appointed (with the approval of the Independent Board Committee) to advise the Independent Board Committee in connection with the Proposal and the Scheme. An announcement will be made upon its appointment.

14. DESPATCH OF SCHEME DOCUMENT

The Scheme Document containing, among others, further details of the Proposal and the Scheme, the expected timetable, an explanatory memorandum as required under the Companies Act and the rules of the Grand Court, information regarding the Company, recommendations from the Independent Board Committee with respect to the Proposal and the Scheme, the letter of advice from the independent financial adviser, a notice of the Court Meeting and a notice of the EGM, together with forms of proxy in relation thereto, will be despatched to the Shareholders and the TDR Holders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Act, the rules of the Grand Court and other applicable laws and regulations.

The Scheme Document will contain important information, and the Scheme Shareholders and TDR Holders are urged to read the Scheme Document containing such disclosures carefully before casting any vote at (or providing any proxy in respect of) the Court Meeting or the EGM. Any voting, acceptance or other response to the Proposal should be made only on the basis of information in the Scheme Document or any other document by which the Proposal is made.

15. DISCLOSURE OF DEALINGS

Associates (as defined in the Takeovers Code, including shareholders holding 5% or more of the relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of any of the Offeror and the Company are hereby reminded to disclose their dealings in any securities of the Company under Rule 22 of the Takeovers Code during the offer period.

Neither the Offeror nor any of the Offeror Concert Parties had any dealings for value in the Shares during the period commencing six months prior to the Announcement Date.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligations of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

16. PRECAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS

This Joint Announcement includes certain “forward-looking statements”. These statements are based on the current expectations of the management of the Offeror and/or the Company (as the case may be) and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained in this Joint Announcement include statements about the expected effects on the Company of the Proposal, the expected timing and scope of the Proposal, and all other statements in this Joint Announcement other than historical facts.

Forward-looking statements include, without limitation, statements typically containing words such as “intends”, “expects” and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction of the conditions to the Proposal, as well as additional factors, such as general, social, economic and political conditions in the countries in which the Offeror and/or the Group operate or other countries which have an impact on the Offeror and/or the Group’s business activities or investments, interest rates, the monetary and interest rate policies of the countries in which the Offeror and/or the Group operate, inflation or deflation, foreign exchange rates, the performance of the financial markets in the countries in which the Offeror and/or Group operate and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environments in the countries in which the Offeror and/or Group operate and regional or general changes in asset valuations. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

All written and oral forward-looking statements attributable to the Offeror, the Company or persons acting on behalf of any of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the Announcement Date.

17. GENERAL

The Directors (excluding members of the Independent Board Committee) believe that the terms of the Proposal are fair and reasonable and in the interests of the Shareholders as a whole.

As at the Announcement Date:

- (a) save as disclosed in the section headed “4. 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 Joint Announcement, there are 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 “3. Conditions of the Proposal and the Scheme” above, 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 is 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 is 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.

18. NOTICE TO US INVESTORS

The Proposal is being made to cancel the securities of a Cayman Islands company by means of a scheme of arrangement provided for under the Companies Act. The Scheme must be approved by the requisite majority of shareholders and sanctioned by the Cayman Islands court. The shares of the Cayman Islands company are listed on the Stock Exchange and are not listed on a United States national securities exchange or registered under the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”). A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the Exchange Act. Accordingly, the Proposal is subject to the disclosure requirements and practices applicable in the Cayman Islands and Hong Kong to schemes of arrangement which differ from the disclosure requirements of the US tender offer rules.

It may be difficult for US holders of Scheme Shares to enforce their rights and claims arising out of the US federal securities laws, since the Offeror and the Company are located in a country other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. US holders of Scheme Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

The financial information included in this Joint Announcement (if any) has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The receipt of cash pursuant to the Proposal by a US holder of Scheme Shares as consideration for the cancellation of its Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of Scheme Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of the Proposal applicable to him.

The Scheme has not been approved or disapproved by the United States Securities and Exchange Commission or the securities regulatory authority of any state of the United States, nor has the United States Securities and Exchange Commission or any such state regulatory authority passed on the adequacy or accuracy of this Joint Announcement. Any representation to the contrary is a criminal offence in the United States.

19. RESUMPTION OF TRADING IN SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on Friday, 30 July 2021 pending issuance of this Joint Announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Friday, 13 August 2021.

20. DEFINITIONS

In this Joint Announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“acting in concert” has the meaning ascribed to it in the Takeovers Code and “concert party” shall be construed accordingly

“Announcement Date” 12 August 2021, being the date of this Joint Announcement

“associate”	has the meaning ascribed to it in the Takeovers Code
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions, waivers, exemptions and approvals required from the Relevant Authorities or other third parties which are necessary for any members of the Group to carry on its business
“Board”	the board of Directors
“Cancellation Price”	the cancellation price of HK\$1.50 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders
“Companies Act”	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	Good Friend International Holdings Inc. 友佳國際控股有限公司, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2398)
“Conditions”	the conditions to the implementation of the Proposal and the Scheme as described in the section headed “3. Conditions of the Proposal and the Scheme” of this Joint Announcement
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Grand Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Depository Agent”	Mega International Commercial Bank Co., Ltd., which issued the TDRs as an agent of the Company
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act
“EGM”	the extraordinary general meeting to be convened by the Company in connection with the Proposal

“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate thereof
“Fair Friend”	Fair Friend Enterprise Company Limited* (友嘉實業股份有限公司), a limited liability company incorporated in Taiwan and is interested in 1,984,000 Shares (comprising 496,000 Shares and 1,488,000 units of TDRs, representing an aggregate of approximately 0.49% of the entire issued capital of the Company) as at the Announcement Date
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company established by the Board to make a recommendation to the Independent Shareholders in respect of the Proposal and the Scheme
“Independent Shareholder(s)”	Shareholder(s) other than the Offeror and the Offeror Concert Parties
“Independent TDR Holder(s)”	TDR Holder(s) other than the Offeror and the Offeror Concert Parties
“Joint Announcement”	this announcement jointly issued by the Offeror and the Company
“Last Trading Day”	29 July 2021, being the last trading day of Shares prior to the issuance of this Joint Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 December 2021 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

“Mr. Chu”	Mr. Chu Chih-Yaung, an executive Director and the Chairman and Chief Executive Officer of the Company, who as at the Announcement Date is the single largest ultimate beneficial owner of Fair Friend
“Mr. Lin”	Mr. Lin Yung Yin, a cousin of Mr. Chu and a director of the Offeror
“Ms. Wu”	Ms. Wu Hui-fen, an employee of Fair Friend
“Offeror”	Good Friend (H.K.) Corporation Limited, a company incorporated in Hong Kong and is owned as to 99.99% by Fair Friend and 0.01% by Mr. Lin
“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code, including Mr. Chu, close relatives of Mr. Chu, Mr. Lin, shareholders of the companies in which Mr. Chu are interested and hold shares in Fair Friend (i.e. You Yi International Enterprise Co., Ltd.* (友偈國際股份有限公司), Wei Sheng International Enterprise Co., Ltd.* (偉勝國際股份有限公司), Yi Chang International Enterprise Co., Ltd.* (誼昌國際股份有限公司), Shun Cheng Enterprise Co., Ltd.* (舜城股份有限公司) and Hsiang Sheng Enterprise Co., Ltd.* (翔昇股份有限公司)), Leader Capital Holdings Limited, Ms. Wu, Fair Friend and Sunward Gold Global Investments Limited
“Operating Rules”	Operating Rules of the Taiwan Stock Exchange
“PRC”	the People’s Republic of China (for the purpose of this Joint Announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan)
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme, and the withdrawal of the listing of the Shares and the TDRs from the Stock Exchange and the Taiwan Stock Exchange, respectively, on the terms and subject to the conditions set out in this Joint Announcement

“Record Date”	the record date to be announced for the purpose of determining entitlements of the Scheme Shareholders to the Cancellation Price under the Scheme
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	a scheme of arrangement between the Company and the Scheme Shareholders under Section 86 of the Companies Act involving the cancellation and extinguishment of all the Scheme Shares in exchange for the Cancellation Price and the restoration of the number of Shares in the issued share capital of the Company to the number immediately before the cancellation and extinguishment of the Scheme Shares
“Scheme Document”	the composite scheme document to be jointly issued by the Company and the Offeror to the Shareholders and the TDR Holders containing, among other things, further details of the Proposal together with the additional information specified in the section headed “14. Despatch of Scheme Document” of this Joint Announcement
“Scheme Share(s)”	Share(s), including the Share(s) represented by the TDR(s), other than those directly or indirectly held by the Offeror and the Offeror Concert Parties (except for the 163,800 Shares (represented by 108,800 Shares and 55,000 units of TDRs) held by Ms. Wu which will form part of the Scheme Shares)
“Scheme Shareholder(s)”	registered holder(s) of Scheme Shares
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan Stock Exchange”	Taiwan Stock Exchange Corporation

“Takeovers Code”	The Code on Takeovers and Mergers in Hong Kong
“TDR(s)”	67,200,000 units of Taiwan depositary receipts issued and listed on the Taiwan Stock Exchange on 18 March 2010, each representing one Share in issue
“TDR Holder(s)”	holder(s) of the TDRs
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“UOBKH”	UOB Kay Hian (Hong Kong) Limited, being the financial adviser to the Offeror in relation to the Proposal, is a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“US”	the United States of America

By order of the board of
Good Friend (H.K.) Corporation Limited
Lin Yung Yin
Director

By order of the board of
Good Friend International Holdings Inc.
Wen Chi-Tang
Director

Hong Kong, 12 August 2021

As at the Announcement Date, the directors of the Offeror are Fair Friend Enterprise Company Limited (友嘉實業股份有限公司) and Mr. Lin Yung Yin.*

The directors of the Offeror and Mr. Chu jointly and severally accept full responsibility for the accuracy of the information contained in this Joint Announcement (other than that relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Joint Announcement (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Joint Announcement, the omission of which would make any statement in this Joint Announcement misleading.

As at the Announcement Date, the Board comprises three executive Directors, namely Mr. Chu Chih-Yaung, Mr. Chen Min-Ho and Mr. Wen Chi-Tang and three independent non-executive Directors, namely Mr. Koo Fook Sun, Louis, Mr. Yu Yu-Tang and Mr. Kao Wen-Cheng.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Joint Announcement (other than that relating to the Offeror and the Offeror Concert Parties (excluding Mr. Chu)) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Joint Announcement (other than those expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Joint Announcement, the omission of which would make any statement in this Joint Announcement misleading.

For the purpose of this Joint Announcement and for illustrative purpose only, RMB is converted into HK\$ at the exchange rate of RMB1.00 to HK\$1.18. No representation is made that any amounts in RMB or HK\$ has been or could be converted at the above rates or any other rates.

** For identification purposes only*