GOOD FRIEND INTERNATIONAL HOLDINGS INCORPORATED: WE'VE COME FOR YOUR MONEY, HONEY

The nagging question, which tugs at the ganglia of **TARGET**'s Chief Financial Analyst, is this:

> For what reason did not Good Friend International Holdings Incorporated **()** (Code: 2398, Main Board, The Stock Exchange of Hongkong Ltd) go public on The Taiwan Stock Exchange instead of The Stock Exchange of Hongkong Ltd?

Good Friend International is owned as to 75 percent by its Taiwan parent company, Fair Friend Enterprise Company Ltd (), which is a privately held company, established in March 1979 by Mr Chu Chih Yaung () and certain members of his family, along with Mr Chen Hsiang Jung **()**.

Today, Fair Friend Enterprise is controlled by 963 shareholders, with Mr Chu Chih Yaung and 23 members of his direct and extended family, holding 36.47 percent of the Issued and Fully Paid-Up Share Capital of this company.

As such, when this Taiwanese company needed an injection of cash, one would have thought that turning to the equity markets of Taiwan would have been the logical route to follow.

But, no, it was determined that it would hive off a subsidiary in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) in order to raise about $HK62 million.

That Good Friend International was in need of some more money is clear on scanning the Placing and Public Offer Prospectus of December 30, 2005, but what is not clear is the reason that investors of the HKSAR were afforded the unique opportunity to buy into this Company rather than senior Management give an opportunity to Taiwanese investors, some of whom are, already, material shareholders of the parent company.

The Flotation

Good Friend International Placed 49 million, one-cent Shares at a Premium of $HK1.12 per Share and Offered to investors of the HKSAR, a total of 21 million Shares, also at the price of $HK1.13 per Share.

On January 9, 2006, it was announced that the Public Offer tranche had been oversubscribed some 16.03 times while the Placing tranche had been *'moderately over-subscribed.'*

The Prospectus stated that the use of the net proceeds from the cash-raising exercise was required for the following purposes:

1. About $HK7 million for the acquisition of land to be used for production purposes;
2. About $HK14.40 million for the construction of the Company's production base;
3. About $HK22.83 million for the purchase of new equipment and machinery;
4. About $HK11.84 million for the retirement of some of the Company's bank loans; and,
5. About $HK6.23 million to be used as General Working Capital.

TARGET () made special note of the fact that about 19 percent of the total amount of money, raised in the flotation, is to be used to retire some bank borrowings.

At Pages 147 and 148 of the Prospectus, it is stated that, as at October 31, 2005, Good Friend International owed about 140.45 million renminbi (about $HK135.05 million) to banks.

(Agricultural Bank of China and Industrial and Commercial Bank of China are the Company's Principal Bankers).

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