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**GOOD FRIEND INTERNATIONAL HOLDINGS INC.**  
**友佳國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 2398)

**CLARIFICATION ANNOUNCEMENT**

The Board makes this clarification announcement pursuant to Rule 13.09 of the Listing Rules in response to certain newspaper articles on 12 January 2006.

The board of directors (the “Board”) of Good Friend International Holdings Inc. (the “Company”) makes this clarification announcement pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) in response to certain newspaper articles (the “Articles”) on 12 January 2006 regarding:

- (1) the dividend payout ratio of the Company of approximately 30% (the “Dividend Policy”);
- (2) the increase of gross profit margin by 2% to 3%; and
- (3) the negotiations between the Company and certain potential investors in Europe and United States on possible strategic alliances or formation of joint venture or acquisitions (“Negotiations”).

The Board noted the contents of the Articles and wishes to clarify that:-

- (1) as disclosed in the prospectus of the Company dated 30 December 2005, the future dividends will depend on the results of the Company and its subsidiaries, working capital, cash positions and capital requirements and other factors as may be deemed relevant at such time by the Directors and the interim dividend will normally represent approximately 30% of the expected total dividends for the full year, depending on the actual situation at the time. In addition, there will be no dividend to be declared for the year ended 31 December 2005. Hence, the statement in relation to the Dividend Policy in the Articles was not accurate;
- (2) Mr. Chu Chih-Yaung, the chairman and executive director of the Company, did not express any opinion on the increase of gross profit margin to any press media and is not aware of the source of such information in the Articles; and
- (3) there were no Negotiations as at the date hereof. The Company is not aware of the source of such information in the Articles, and the Company will make necessary disclosure to comply with the provisions of the Listing Rules at all times.

**Shareholders of the Company or potential investors should exercise caution in dealing in the shares of the Company.**

By Order of the Board  
**Good Friend International Holdings Inc.**  
**Chen Hsiang-Jung**  
*Executive Director*

Hong Kong, 12 January 2006

*As at the date of this announcement, (a) the executive Directors are Mr. Chu Chih-Yaung, Mr. Chen Hsiang-Jung, Mr. Chen Min-Ho, Mr. Wen Chi-Tang and Mr. Chiu Rung-Hsien; (b) the independent non-executive Directors are Mr. Koo Fook Sun, Louis, Mr. Chiang Chun-Te and Mr. Yu Yu-Tang.*

Please also refer to the published version of this announcement in The Standard.