

CHAIRMAN'S STATEMENT

RESULTS

On behalf of the board of directors (the "Board") of Huafeng Environmental Protection Textile International Group Limited (the "Company") together with its subsidiaries (the "Group"), I am very pleased to announce that the Group's audited turnover for the financial year ended 30 September 2002 was slightly over HK\$290 million, representing an increase of almost 47% over the corresponding period in 2001. The Group's audited consolidated profit attributable to shareholders for the financial year ended 30 September 2002 was about HK\$78 million (2001: HK\$56 million). This represents an increase of approximately 39% over that of last year. The Group's earning per share was HK14.1 cents (2001: HK10.3 cents).

DIVIDENDS

The Board recommended a payment of final dividend of HK2 cents per share to shareholders on the register at the close of business on 17 February 2003. The proposed final dividend for the year is subject to the shareholders' approval at the forthcoming annual general meeting (the "AGM").

It was mentioned in the Company's prospectus dated 20 August 2002 (the "Prospectus") that the directors of the Company (the "Directors") did not

have an intention to recommend any dividend in respect of the year ended 30 September 2002. Following the finalization of the results of the Group, the Directors are of the opinion that the financial performance and the cash flow position of the Group are to their satisfaction, and accordingly would recommend a final dividend as a show of appreciation for the continuous support of the Company's shareholders.

BUSINESS REVIEW

The Group is an established fabrics processor in Fujian Province, the People's Republic of China (the "PRC"). It is principally engaged in the provision of fabrics processing services covering bleaching and dyeing to setting and finishing, with a solid and diverse customer base including garment manufacturers, wholesalers, distributors and importers of fabrics items across the globe.

Over the past, the Group has experienced steady growth in its principal businesses. Although there has been serious downturn in the global economy, the Group achieved encouraging results for the year under review. Given the favorable market potential in the fabrics processing industry across the globe, we are highly motivated in delivering our quality products and services. Despite the

undesirable fluctuations in the capital market last year, the Group was successfully listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 August 2002, raising a net proceeds of approximately HK\$39 million and of which about HK\$10 million had been invested in the acquisition of property, plant and machinery for enhancing our productivity and product quality as at the date of this statement.

Fiscal year 2001/2002 was indeed a year of excitement and challenges for our operating environment. The Group is delighted to report a substantial growth in the turnover. In particular, positive and aggressive growth in our market territories, particularly the Philippines, have provided considerable contribution to the breakthrough of the Group's performance. As a result, the Group generated a substantial increase in the net profit.

In the opinion of the Directors, the success of the Group is attributable to the following principal factors:

- the extensive technical and industrial experience of its management in fabrics processing;
- its commitment to quality control and delivery of quality services to its customers, as evidenced by the accreditation of the ISO9002 certification;

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- its ability to process un-processed water sourced directly from the city reservoir for fabrics processing to achieve cost savings;
- its strong waste water treatment and recycling capability which enable the Group to attain recognized environmental standards, as evidenced by the accreditation of the ISO14001 certification, while achieving cost savings through re-applying the recycled water for dyeing fabrics with darker color requirements; and
- its reputation among the fabrics processing and garment manufacturing companies in Fujian Province, the PRC and its well established relationships with its customers.

The Directors believe that all these good qualities shall remain in the Group and keep on helping us making better performance.

PROSPECTS

The staff and management of the Company are absolutely determined in making even more satisfactory results for the years ahead. As stated in the Prospectus, our business objective is to become the most fast-growing fabric processing market leader with significant contribution to the preservation of the environment's well-being.

Looking ahead, due to concern over pollution, fabrics processing is becoming less common in most western developed countries nowadays, notwithstanding that fabrics dyeing and processing is an essential part of the dynamic and ever-changing western fashion industry. Such demand has been satisfied largely by developing countries in the South East Asian region, as a result, the Group is well-positioned to capture the market opportunities. The Group envisages that the fabrics processing industries in the PRC will have an enormous growth potential following the accession of the PRC into the World Trade Organization. To capture a larger market share, the Group has further expanded its fabrics processing capacities during the period through additional capital investments including the acquisition of machinery and equipment.

In the coming years, the Group shall stand by its commitment to providing services of uncompromising excellence to its clients. Further but material capital expenditures shall be incurred as needed in the future for delivering such commitment and for enlarging market penetration into our existing business, other territories as well as those unexplored ones. By doing so, the Group shall be well-gearred to develop its own brand-name fabrics and also, the Group's distributorship

network shall be strengthened to facilitate fast-growing customer base. Concurrently, the Group will continue its research and development on nano-technology with the aim of introducing new value-added fabrics characteristics. Through unceasing efforts over the years, the Group has established a solid foundation for future business expansion. The Directors are cautiously optimistic that the Group is well-equipped to achieve sustainable and promising results in the future.

APPRECIATION

I would like to take this opportunity to express my most sincere thanks and gratitude to the Group's management and staff for their dedicated loyalty and devoted service and to our shareholders, suppliers, customers and bankers for their continuing support.

CAI ZHEN RONG

Chairman

Hong Kong

17 January 2003