

CHAIRMAN'S STATEMENT

RESULTS

On behalf of the board of directors (the "Board") of Huafeng 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 2003 was about HK\$338,471,000, representing an increase of approximately 16.7% over that of last year. The Group's audited consolidated profit attributable to shareholders for the financial year ended 30 September 2003 was about HK\$90,668,000. This represents an increase of approximately 16.2% over that of last year. The Group's earnings per share was HK13.6 cents (2002: HK14.1 cents).

DIVIDENDS

The Board recommended the payment of a final dividend of HK2.25 cents per share to shareholders on the register at the close of business on 6 February 2004. The proposed final dividend for the year is subject to the shareholders' approval at the forthcoming annual general meeting.

BUSINESS REVIEW

The global economy remained volatile in 2003. The weak US currency triggered a surge in cotton prices; the US's quota restrictions and reduction of import tax rebate on textile products jeopardized the garment manufacturing sector; and the SARS epidemics in the second quarter of 2003 adversely affected the business activities in both Hong Kong and China. Nevertheless, the aforesaid negative factors have minimal impact on the Group. In fact, the Group was able to achieve steady growth in terms of both turnover and profits during the year under review through a series of strategic and well-structured business expansions.

The Group has gradually extended its core business in fabric processing to encompass a comprehensive range of services including grey fabric manufacturing and yarn spinning. Construction of the fabric manufacturing plant was completed and in full operation since April 2003, and the yarn spinning plant was completed in December 2003 and became fully operational in January 2004. Estimated full capacity of the yarn spinning plant will reach 12,000 tonnes per year.

The Group has continued to strengthen its sales network in the PRC to solidify its presence in the territory. Expansion plans include the establishment of sales offices at strategic points. Adding to the Guangzhou sales office established in May 2003, the Shanghai sales office is recently in operation. Two additional sales offices in Beijing and Chengdu will be established within 2004.

The Company is the largest fabric processor in the Fujian province, PRC. Processing services for knitted fabrics include polyester fabrics, spun polyester fleece fabrics, T/C blended fabrics and cotton fabrics, and the Group has commenced non-pure cotton woven fabric processing services at the end of 2003. Over the years, the Group has made unceasing efforts to expand its up-stream and down-stream businesses to meet the escalating market demand. Apart from capacity expansion in facilities of the established fabric processing services, capacity expansion in the waste water system is also in progress to achieve a processing capability of 1,400,000 tonnes per year. Related undertaking for the waste water system will be completed in the first quarter of 2004 and total investment amounted to approximately HK\$6 million.

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The Group possesses extensive experiences in the textile industry. In addition to rendering top-notch fabric processing and manufacturing services to our customers, the Group has also launched its own brand name premium fabric "Fentex" last year and received encouraging market response.

PROSPECTS

With the economic growth in China full steam ahead, the Group saw tremendous growth potential in this lucrative market. At the same time, there is also a surging demand for textile products and fabric processing services in the European and North American markets. Hence, the Group will continue to expand its global clientele, with emphasis on the China and the European markets. With the business diversification and capacity expansion undertaken in 2003, the Group is confident and well-poised to capture the arising market opportunities and deliver services and products of unparalleled excellence to our customers.

APPRECIATION

I would like to take this opportunity to express my 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

16 January 2004