

CHAIRMAN'S STATEMENT

FINAL RESULTS

On behalf of the board of directors (the "Board") of Huafeng Textile International Group Limited (the "Company") and its subsidiaries (the "Group"), I take pleasure in presenting the Group's audited consolidated results for the year ended 30 September 2006. The Group's consolidated revenue for the period grew 13% to HK\$586 million as compared to the corresponding period last year. Profits after tax attributable to equity shareholders amounted to HK\$87 million or 10.41 cents per share, representing a year-on-year increase of 31% and 27% respectively.

BUSINESS REVIEW

As a pioneer and leading fabric processor in Fujian, China, the Group never rests on its past laurels. The Group continued fostering business growth through timely and prudent horizontal expansion initiatives. Simultaneously, the Group remains committed to research and development and sales of upstream products to maximize benefits from larger economies of scale and to enhance profit margin.

In response to the escalating market demand, the Group sparked off a host of strategic acquisitions in 2004 as the utilization rate of Huafeng Knitting was approaching its saturation point. Such proactive strategies have yielded remarkable business progress for the Group, enabling its overall processing capacity to reach new levels. Production capacity for fabric processing and yarn spinning reached 98,400 tonnes and 13,000 tonnes respectively while capacity for corduroy grew to 36 million metres. The Group has successfully solidified its market position to become one of China's most reliable and trusted suppliers of yarn products and fabric processing services in the textile industry.

The timely implementation of our business plans in the past two years has continued to drive our revenues and the Board believes that the city of Shishi will be the key focus for the Group's future expansions. Shishi currently enjoys worldwide fame as the capital of casual wear manufacturing in Southern China with a strategic location that has attracted thousands of manufacturing businesses. Leveraging on the Group's well-established facilities in Shishi, the Group aims to maximize its benefits by targeting future business acquisitions to consolidate its leadership position.

PROSPECTS

In line with the Group's long-term policies, the Group will continue to enhance our production facilities, upgrade our product competitiveness and strive to meet the highest standards of service excellence for our clients. The Group has designated HK\$10 million for expanding the existing fabric processing facilities by 5% to 92,000 tonnes in 2006.

Concurrently, the Group is exploring opportunities on the construction of a new fabric manufacturing plant adjacent to its existing facilities in Shishi. With multiple plants in close proximity, the Group would have maximum flexibility in allocation of resources to achieve considerable cost savings in operating expenses. The upstream expansion into yarn spinning would also complement the Group's existing businesses in fabric manufacturing and processing, offering a one-stop comprehensive service to clients while enhancing the Group's profit margin.

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Following the phase-out of worldwide textile quotas in 2005, the United States and the European countries initiated the imposition of anti-dumping duties and the re-imposition of quotas on certain textile products from China to protect domestic productions, but all in all, the Group witnessed a more liberal and open market than before. China will inevitably emerge as the world's largest exporter of printed and dyed cloth. Capitalizing on the horizontal and upstream expansions during the year under review, the Group has successfully solidified its business foundation and expanded its revenue streams. The Board remains cautiously optimistic towards the Group's future prospects.

Cai Zhenrong

Chairman

Hong Kong, 25 January 2007