FORM 51-102F3

MATERIAL CHANGE REPORT

ITEM 1 Name and Address of Company:

DRAGON-TEX (GROUP) LIMITED
Suite 628, 138 – 4th Avenue S. E.
Calgary, Alberta

ITEM 2 Date of Material Change:

July 22, 2004

ITEM 3 News Release:

The news release was issued July26, 2004 through the facilities of CCNMatthews.

ITEM 4 Summary of Material Change:

The Corporation and its wholly-owned subsidiary, South Champ Trading Limited, entered into a letter of intent with River Richie Limited of Hong Kong.

ITEM 5 Full Description of Material Change:

The Corporation and its wholly-owned Hong Kong subsidiary, South Champ Trading Limited ("South Champ), entered into a letter of intent dated July 22, 2004 with River Richie Limited ("River Richie") of Hong Kong. Under the terms of the letter of intent, South Champ will acquire 100% of the shares of River Richie and will pay the shareholders of River Richie HK$11.5 million (approx. $1.9 million Cdn) over an installment period to be finalized in the formal agreement. In addition, South Champ will issue 1,250,000 common shares of the Corporation, subject to regulatory approval, to the shareholders of River Richie. The acquisition of River Richie is an arm's length transaction.

River Richie, a Hong Kong based company, is in the business of dying of textile products. It was incorporated in Hong Kong on July 5, 2000 and has a manufacturing facility located in Guangdong, China. This facility has two production lines, both with production capacity of 1,400,000 square yards per month.

The audited financial statements of River Richie for the year ended March 31,2004 states that River Richie had gross sales of HK$75.3 million (approx. $12.9 million Cdn), with a net income after taxation for the year of HK$3.4 million (approx. $0.583 million Cdn), total assets of

HK$22.2 million (approx. $3.8 million Cdn.), total liabilities of HK$7.2 million (approx. $1.23 million Cdn), current assets of HK$13.2 million (approx. $2.26 million Cdn.), current liabilities of HK$5.7 million (approx. $0.97 million Cdn) and retained earnings of HK$11 million (approx. $1.89 million Cdn).

ITEM 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102:

N/A

ITEM 7 Omitted Information:

N/A

ITEM 8 Executive Officer:

The name and business telephone number of the executive officer of the Corporation who is knowledgeable about the material change and the Report is:

Alan Chan
Secretary and Director of Dragon-Tex (Group) Limited
Telephone: (403) 229-2337

Dated: July 28, 2004