China Gaoxian Fibre Fabric Holdings Ltd.

Annual General Meeting for FY2014

30 April 2015

Agenda

- Huaxiang Project Overview
- Video of Huaxiang Project
- Huaxiang Project Update
- Outlook
- Questions & Answers

Huaxiang Project Overview

Total investment	RMB 2.14 billion
Project Site	Balidian Industrial Zone, Wuxing, Huzhou, Zhejiang, PRC
Land area	Approx 480,000 m^2
Construction area	368,000 m^2
Project scope	• 1 polymerisation plant • 20 direct spinning lines (8x POY, 12x FDY) • 20 DTY machines • Utilities and amenities e.g. office, dormitories
Capacity	400,000 tonnes annually
Product Range	• POY, FDY, DTY, and • PET chips

Huaxiang Project Overview

Hua Xiang(China) Premium Fibre Co.,Ltd Project Report

Huaxiang Project Overview - Master Plan of Production Facilities

Huaxiang Project Update

- The Huaxiang Project has made remarkable progress after many years of hard work
- As announced on 25 April 2014, the construction for the Phase 1 of Huaxiang Project has been completed and 20 units of the texturing machines were successfully commissioned on 23 April 2014
- The production quality of the Drawn Textured Yarn ("DTY") products has stabilised with its quality widely accepted by customers
- The Company initially estimated in 2014 that initial production for the polymerisation plant would begin in 4Q2014 but due to the tight labour market, production could not begin
- With the improvement to the labour market post -2015 Chinese New Year, the labour issue has been resolved and initial production run of the polymerisation plant and spinning workshop commenced on 12 March 2015

Huaxiang Project Update

- PET and POY product lines commenced in the beginning of April
- To date, the polymerisation plant and spinning workshop are operating normally
- The daily output for Huaxiang is about 520 tonnes with PET contributing 180 tonnes, and the daily output for 8 production lines of POY, which has gone into trial production is approximately 340 tonnes
- The current utilisation rate for the machines is around 50% and we plan to commence trial production for all 12 production lines for FDY in June 2015
- Phase 1 of Huaxiang Project will allow us to focus on finer denier yarn products which offer a competitive edge
- Currently, a sales and marketing team is in place that is actively expanding its sales channels and progress has been smooth so far

Entrance and Amenities

Gate

Dining Room

Supermarket

Huaxiang

Polymerisation Plant

Polymerisation Control Room

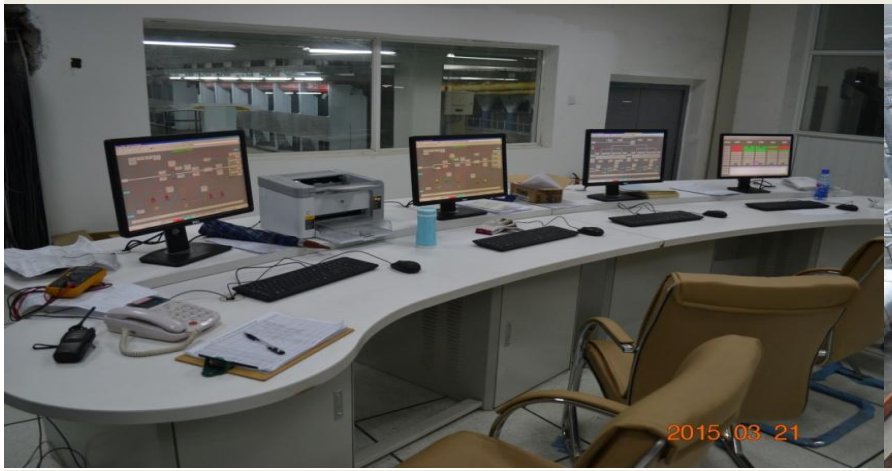
Polymerisation Lines

Polymerisation Plant

FDY Lines

Spinning Plant

Spinning Plant Control Room



Spinning Plant

Spinning Plant Power Room

MEG Tanks

POY Production Line

POY Production Line

POY Line

Texturing Plant

Texturing

DTY Production Line

DTY

DTY Warehouse

DTY Delivery

DTY Lines

Utilities

110KV Station

HTM Station

Power Station

Water Station

Delivery Logistics

Delivering

Packing

Warehouse Delivering

Auxiliary Facilities

R&D Center

Sewage Treatment Station

Warehouse

PTA Warehouse

Buildings

Commercial Building

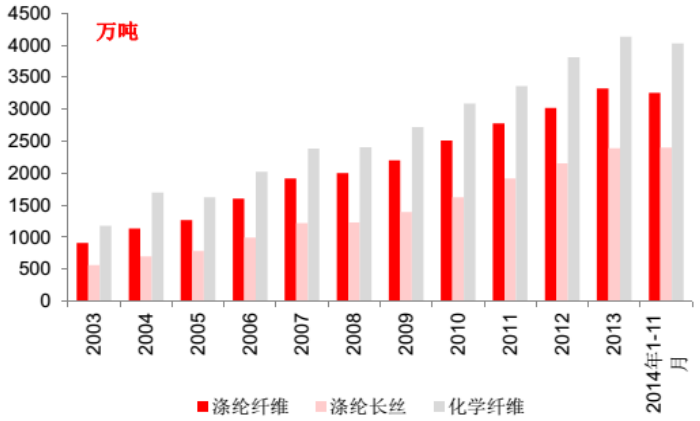
Office Building

Dormitory

Outlook

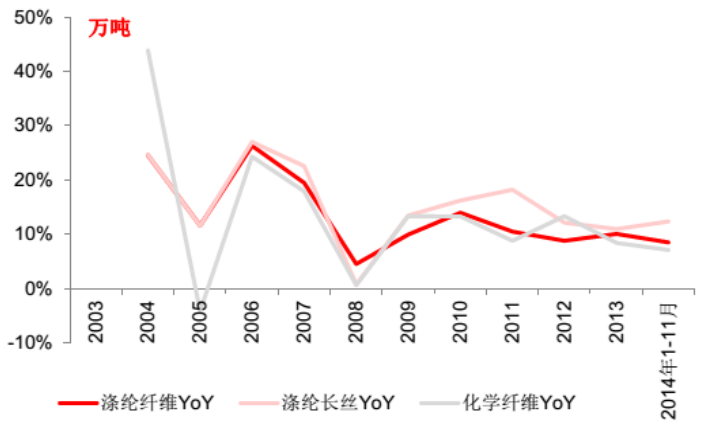
- **In 2015 the additional polyester yarn production capacity is expected to slow down after Chinese domestic production has maintained a rapid growth in recent years**
  - Since 2009 -2013, the average annual growth rate is around 14.2% with the production output of about 25 million tonnes, an increase of about 10.26% in 2014 as compared to 2013
- **In 2013, the total polyester production capacity was about 43 million tonnes, of which 32million tonnes is polyester filament yarn**
- **In 2014, China's new increased polyester production capacity is around 2.6 million tonnes, of which 1.4 million tonnes was polyester filament yarn**
- **It is expected that the additional polyester filament yarn production capacity will slow down significantly after three years of surplus and the downturn of the market**

图 3: 国内涤纶及化纤产量



资料来源：Wind，川财证券研究所

图 4: 国内涤纶及化纤产量增速



资料来源：Wind，川财证券研究所

Outlook

- **International oil prices remain low, Fiber demand is expected to continue to maintain high growth**
  - Oil prices continue to fall from the second half of 2014. Concurrently, China and the US textile and apparel consumption continues to increase. The polyester market is expected to drive the textile industry positively in the near future where oil prices remain low:

- **The reduction in consumer expenditure for crude oil and the increase of textile and apparel consumption expenditure**
  - According to China's National Bureau of Statistics, the total expenditure for clothing, footwear and knitwear was RMB1.2563 trillion in 2014, an increase of 10.9% from 2013. For the past decade, the average growth rate of US personal expenditure was 2.1% for apparel. This expected to drive future demand for the textile industry.

- **Textile and clothing had many years of inventory reduction**

- **Rise in cotton prices & substitutes to cotton products**
  - Compared to cotton Polyester filament has high resistance to wrinkle and heat, contains better shape retention and thermal qualities, is a strong material and has a better cost advantage
  - This cost advantage will be further reflected if the prices of cotton remaining high and the low prices of oil over the same period

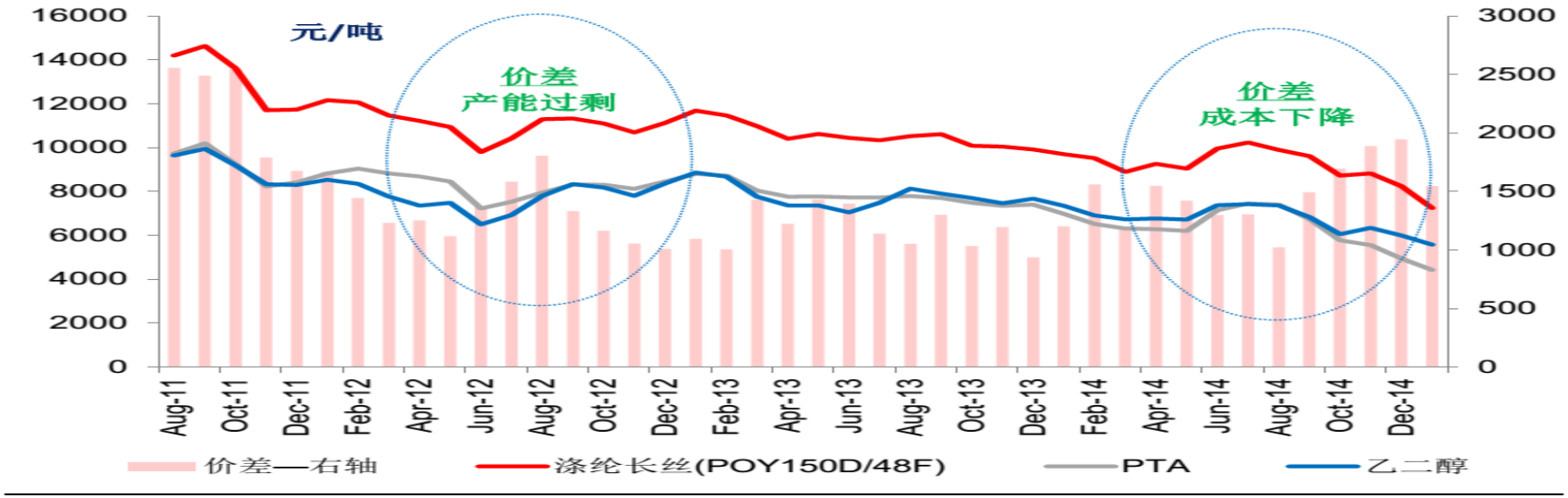
- **Downstream expansion for the usage of Polyester**
  - In recent years, polyester fibre has widened its range of uses after modification and processing which includes bedding fibre fill, interior building materials, housing covers and other building materials, non-woven materials and packaging materials such s industrial filters materials.

Outlook

- **Drop in oil prices benefits downstream polyester industry chain**
  - Fall in oil prices will cause a fall in prices of PX-PTA helps the chemical fibre industry if the demand in the downstream polyester chain remains unchanged

- **Since the peak of the polyester industry in October 2011, profitability has been going down, but with the apparent cost advantage of polyester fiber, its diversified applications downstream , the dawn of more differentiated polyester products, and lower raw material costs brought upon by falling oil prices, the spread widens**

图 14： 涤纶长丝与原材料价差



资料来源： Wind，川财证券研究所 *价差=涤纶 POY-0.86*PTA-0.34* 乙二醇*

Outlook

- **If lower oil prices continue to maintain, it is beneficial to the downstream chemical industry**
  - Oil prices is expected to be down and crude oil remains the highest consumable source of energy. However, with the increase in shale gas mine production in the US and the rise in substitutes of crude oil such as nuclear energy, wind power, hydroelectric power, the consumption for crude oil is expected to drop. This is expected to have a positive impact in the profitability of chemical fibre industry.

Risk factors

The chemical fibre industry is filled with opportunities but there are also risks factors

- **Demand falls in chemical fibre industry – as our products are used in apparels and clothing production, a worsening of China's apparel and clothing industry will inevitably affect the chemical fibre industry**

- **Movement in prices of raw materials – an increase in prices of PTA and MEG will increase costs**

The operating environment in 2015 is likely to be challenging due to ongoing uncertainties but with the leadership of the Board, the unwavering support of the shareholders and the right steering by management, we are committed to the success of the Huaxiang Project