Investor Presentation

April 2011
Safe Harbor Statement

Statements in this presentation may be "forward-looking statements" within the meaning of federal securities laws. You can identify these forward-looking statements by terminology such as “will”,” expects”, “anticipates”, “estimates”, “plans”, “future”, “intends”, “believes” and similar statements. The matters discussed herein that are forward-looking statements are based on current management expectations that involve risks and uncertainties that may result in such expectations not being realized. Forward-looking statements involve risks and uncertainties that may cause actual results, performance or financial condition to be materially different from the expectations of future results, performance or financial condition expressed or implied in any forward-looking statements. Such factors include, but are not limited to the company's ability to complete product orders, coordinate product design with its customers, ability to expand and grow its distribution channels, political and economic factors in the People's Republic of China, the Company's ability to find attractive acquisition candidates, dependence on a limited number of larger customers and other factors detailed in the Company's filings with the Securities and Exchange Commission. Actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements due to numerous potential risks and uncertainties. Forward-looking statements made during this presentation speak only as of the date on which they are made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this presentation.

Because forward-looking statements are subject to risks and uncertainties, we caution you not to place undue reliance on any forward-looking statements. All written or oral forward-looking statements by the Company or persons acting on its behalf are qualified by these cautionary statements.

We undertake no obligation to publicly update or revise any forward-looking statements or other information or data contained in this presentation, whether to reflect any change in our expectations with respect to such statements or any change in events, conditions or circumstances on which any such statements are based or otherwise.
China Linen Textile Industry, Ltd. is an established manufacturer and the largest exporter by volume of high quality linen products in China.

<table>
<thead>
<tr>
<th>Equity Snapshot</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exchange / Ticker</strong></td>
<td>OTCBB: CTXFD</td>
</tr>
<tr>
<td><strong>Current Price</strong></td>
<td>$3.25</td>
</tr>
<tr>
<td>(as of 4/12/2011)</td>
<td></td>
</tr>
<tr>
<td><strong>Market Cap</strong></td>
<td>$19.5 MM</td>
</tr>
<tr>
<td><strong>Shares Outstanding</strong></td>
<td>6.0 MM (Fully Diluted)</td>
</tr>
<tr>
<td><strong>Float</strong></td>
<td>3.2 MM</td>
</tr>
<tr>
<td><strong>Avg. Daily Volume</strong></td>
<td>3,300</td>
</tr>
<tr>
<td><strong>52-Week Range</strong></td>
<td>$2.87 - $6.65</td>
</tr>
<tr>
<td><strong>P/E Multiple (ttm)</strong></td>
<td>2.0x</td>
</tr>
<tr>
<td><strong>P/B value</strong></td>
<td>0.61x</td>
</tr>
</tbody>
</table>
Investment Summary

- **Consistent sales and earnings growth.** China Linen has shown it can grow sales and earnings consistently. Revenues have grown linearly from $8.4 million in 2004 to $49.1 million in 2010. Net income has followed suit, jumping from $364,000 to $9.6 million over the same period.

- **Expanding markets and increasing capacity.** China Linen is expanding its customer base in Europe, North America and the Middle East and tapping into the increasing domestic demand. While its current production can’t meet the demand, the company intends to add capacity through acquisition and upgrading an existing facility with the objective to double capacity over the next three to five years.

- **Margin improvement and vertical integration.** The company has improved its gross margin from 27% in 2007 to 31% in 2010. It also plans to extend to the higher end of the industrial chain. The eventual goal to cover the entire chain may afford it many years of growth through continued margin expansion and increased sales.

- **Continued growth and cheap valuation.** 2010 revenue of $49.1 million and net income of $9.6 million, up 67.1% and 66.9%, respectively, over a year ago. The company provided 2011 revenue guidance of $58-$63 million and net income guidance of $11.5-$12.6 million. Due to the recent Chinese small cap pull back, the stock is trading at a P/E multiple of 2.0x. For value investors, shares are selling well below book value per share.
Growth Trend

Revenue growth

Units: USD Millions

CAGR: 35.7%

Net income growth

Units: USD Millions

CAGR: 37.3%
Vision: Becoming a No.1 Manufacturer and Exporter of High Quality Linen Products in China

Leading Market Position
- Prior state-owned facility established in 1982, the second linen production facility in China
- #1 producer by volume of linen exports and #3 in terms of sales revenue
- Located in Lanxi County of Heilongjiang Province, known as “the Homeland of Flax in China” and “Famous Textile Town” with 120 years of linen production history

Diversified Products and Markets
- Full range of linen products: 50 types of linen yarn and 110 varieties of linen fabric
- Approximately 50% revenue came from export primarily to Europe, North America, and the Middle-East
- Over 70% of the flax used in production are imported high quality material from Europe

Advanced Equipment and Facilities
- One yarn-spinning factory, two fabric weaving factories and one bleaching factory
- Production capacity of 2,200 tons of linen yarn and 10 million meters of fabric
- Advanced spinning equipment and weaving production equipment

Strong Financial Performance
- (US$ M) 2008 2009 2010
  - Rev.: $22.9 $29.4 $49.1
  - NI: $3.7(1) $5.7 $9.6
  - Cash & Equivalents: $4.2M as of Dec 31, 2010

Note:
(1)2008 net income adding back share based compensation of $0.84MM
Full Range of Linen Products Offering

50 types of linen yarn and 110 varieties of linen fabric

Linen Yarn | Loom State | Bleached | Piece Dyed
---|---|---|---
Yarn Died | Printing | Jacquard | Home Textile
Vertical Integration of Industrial Chain

Comprehensive and Vertically Integrated Product Offering within the Company
- Full range of linen products: 50 types of linen yarn and 110 varieties of linen fabric
- Cost on comparable products is 10% lower than domestic competitors

Yarn Spinning
- Linen Yarn
- Linen Gray Yarn

Fabric Weaving
- Loom-state Fabric
- Natural Fabric
- Interwoven Fabric
- Jacquard
- Yarn-dyed fabric

Bleaching
- Fully Bleached Fabric
- Semi-bleached Fabric
- Washed Fabric

Dyeing and Finishing
- Piece Dyed Fabric
- Softening
- Water Proof finish
- Unshrinkable finish
Competitive Advantages

Prime Location – Located within the largest flax growing region with longest linen production history in China and enjoys access to a skilled low-cost labor force and other linen resources

High Product Quality – Advanced equipment, and know-how from over a century of production in the region, and imported high quality raw materials create high quality products that differentiate us from competitors. We could produce 40-50 thread counts linen compared to competitor’s 24-36 counts.

Efficient Production – Unique formula and technology allow us to enjoy higher margins than industry average. The company’s unique scouring technology can reduce raw material loss by 5.4% compared to competitors while improving the subsequent production efficiency.

Marketing Advantage – Proven strong sales team and existing diversified long term clients base

Proven Management – Chairman and General Manager together have over 60 years of experience in the linen industry, including production, R&D, sales and marketing
Strong Quality Assurance

**High Quality Equipment and Technology**
- High quality textile equipment such as gilling machines, combing machines, and automatic winders, principally imported from Europe
- Unique linen scouring process and technology to produce high quality linen products

**Strong R&D Team and Highly Experienced Operation Team**
- Skilled R&D team constantly works to create new products and improve technological efficiency
- Ownership of the Heilongjiang Provincial Linen New Products R&D Engineering Technology Research Center, the only one in China
- Skilled and steady operational team with decades of experience

**Cooperation With Top Designers and Laboratories**
- Cooperation with Europe’s top designers to design and produce trend-setting linen fabrics
- Long-term R&D cooperative partnership with Donghua University

**Strong Quality Control Management System**
- Including a multi-layered process quality inspection system and sophisticated laboratory testing
- 24-hour production and operation model for quick feedback and response to requests from clients
- ISO9000 Certified
**Leading Customer Base**

**Diversified and Strong Customer Base**

- Diversified customer base which includes 66 companies from around the world
- More than 53% of the revenue comes from long-term repeat customers
- Top 10 customers are from China, Italy, U.S., India, Turkey and Egypt.
- 37% of 2010 revenue was from wholesale sales while 63% came from direct marketing sales
- 45% of 2010 revenue came from international customers

**Selective End Consumer Brands over the World**

- Marks & Spencer
- Zara
- MaxMara
- LARUSMIANI
- BOSS
- PEREGO
- MERCAREL
- H&M
- BEL & Co.
- by the sea
- MAX & Co.
Credits and Awards

Top 10 Municipal Private Enterprise

Provincial Credible Enterprise Award

Provincial Key Leading Enterprise

AAA Credit Standing with Branch of China Agricultural Bank

National Leading Enterprise to Assist the Poor
Industry Overview

Growing Global Market for Linen as a Luxury and Fashionable Textile

- Over 80%<sup>1</sup> of worldwide linen production is for the apparel industry and “Linen Fashion” is becoming a new trend worldwide
- Natural fabrics are preferred - linen fabrics are water absorbent, breathable, durable and a good conductor of heat
- Pure linen fabric industry worldwide is a $787 million industry<sup>2</sup>

Linen Industry Vs. Labor Intensive Textile Industries

- More technologically intensive and higher requirement on equipment
- Less competitive in the space due to higher barrier of entry
- Generally higher margin than other labor intensive textile industries

Note:
(1)2008 Chinese Statistical Yearbook.
(2)Company estimate based upon compilation of industry data.
Breakdown of the markets for China’s Linen Export

- In 2008, China’s five largest linen export markets were Italy, Korea, India, Turkey, and Belgium, representing ~74% of the total linen yarn exports.
- End of textile tariffs combined with decreasing logistics costs have benefited Chinese producers and exporters.
- The exports to India are mostly of average quality, whereas sales to Europe are of the top quality with higher margins.
- The share of European countries has been increasing over the years as the quality of Chinese produced linen fabric has increased.

Source: Company data and 2008 Chinese Statistical Yearbook, latest available data on linen export.

- In 2010, 45% of China Linen’s revenue came from exports, accounting $22.2MM of its total revenue.
- In 2010, China’s total export value of pure linen fabric was $359MM and highly fragmented.
- China Linen is poised to expand its market share of China’s exports, but also expand in the global around $787MM linen fabric market.
# Experienced Management Team

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Experience</th>
</tr>
</thead>
</table>
| Mr. Ren Gao, Chairman/CEO | 47  | Chairman of the Company since 2002; 30 years of experience in linen industry  
Deputy to the Heilongjiang Province People’s Congress, with “National Entrepreneur with Honesty in Business” award, the “China Enterprise New Man of the Year” award, the "Entrepreneur with Honesty in China Textile Industry Business” award and the “Model Worker of National Textile Industry” award  
Graduated from the EMBA Program of Tsinghua University |
| Ms. Jodie Zheng Wehner, CFO | 38  | Over 15 years business and financial experience in both China and the U.S.  
Portfolio manager with Gerken Capital Associates, Senior Equity Analyst with Global Hunter Securities, Equity Analyst with CIBC Oppenheimer, and Associate with UBS  
MBA from the University of Chicago and BS from Peking University Medical School. |
| Mr. YongFeng Ma, General Manager | 49  | General Accountant and Vice General Manager of the Company since joined in 2002  
Over 30 years experience in linen industry  
Formerly served as general accountant and financial officer of Heilongjiang Lanxi Linen Textile Industry United General Corporation  
Graduated from CEO Program of Tsinghua University |
| Mr. Steve Monticelli, Independent Director | 55  | Founder of Mosaic Investment in 1996. Investment career spanning 23 years.  
On the Board of China New Media Corp (OTCBB: CMDI), Principal at the Fremont Group, Managing Director with Baccharis Capital. Management consultant with Marakon Associates and CPA with Deloitte and Touche.  
MBA from the University of California at Berkeley. |
### Revenue and Margin Breakdown

#### Revenue Breakdown (2008-2010)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linen Fabric</td>
<td>88.6%</td>
<td>92.4%</td>
<td>89.1%</td>
</tr>
<tr>
<td>Linen Yarn</td>
<td>2.3%</td>
<td>0.7%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Linen Processing</td>
<td>1.7%</td>
<td>1.7%</td>
<td>0</td>
</tr>
<tr>
<td>Linen Yarn Processing</td>
<td>7.4%</td>
<td>5.1%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

#### Gross Margin Breakdown (2008-2010)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linen Fabric</td>
<td>25.9%</td>
<td>32.0%</td>
<td>33.8%</td>
</tr>
<tr>
<td>Linen Yarn</td>
<td>12.0%</td>
<td>14.6%</td>
<td>24.5%</td>
</tr>
<tr>
<td>Linen Processing</td>
<td>36.8%</td>
<td>51.8%</td>
<td>0</td>
</tr>
<tr>
<td>Linen Yarn Processing</td>
<td>2.5%</td>
<td>2.0%</td>
<td>20.0%</td>
</tr>
</tbody>
</table>

#### 2010 Revenue Breakdown

- Linen Fabric: 89%
- Linen Yarn: 11%
- Linen Processing: 0%
- Linen Yarn Processing: 0%
Improving Margins

**Gross Profit / Margin**
- 2008: $5.3, 23.1%
- 2009: $8.7, 29.6%
- 2010: $15.2, 31.0%

**Operating Profit / Margin**
- 2008: $4.0, 17.2%
- 2009: $7.1, 24.1%
- 2010: $12.1, 24.6%

**Net Profit / Margin**
- 2008: $3.7, 16.1%
- 2009: $5.7, 19.5%
- 2010: $10.2, 20.7%

Note: (1) 2008 net income adding back share based compensation of $0.84MM.
(2) 2010 operating profit and net profit exclude approx. $0.6MM non-recurring financing cost.
## Income Statement Summary

<table>
<thead>
<tr>
<th>(US$MM, except per share data)</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011E Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$14.5</td>
<td>$20.8</td>
<td>$22.9</td>
<td>$29.4</td>
<td>$49.1</td>
<td>$58-$63</td>
</tr>
<tr>
<td>Revenue Growth</td>
<td>43.4%</td>
<td>10.1%</td>
<td>28.4%</td>
<td>67.1%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>$4.7</td>
<td>$5.7</td>
<td>$5.3</td>
<td>$8.7</td>
<td>$15.2</td>
<td>-</td>
</tr>
<tr>
<td>Gross Profit Margin</td>
<td>32.6%</td>
<td>27.5%</td>
<td>23.1%</td>
<td>29.6%</td>
<td>31.0%</td>
<td>-</td>
</tr>
<tr>
<td>Operating Income¹</td>
<td>$3.5</td>
<td>$4.5</td>
<td>$4.0</td>
<td>$7.1</td>
<td>$11.5</td>
<td>-</td>
</tr>
<tr>
<td>Net Income¹</td>
<td>$2.7</td>
<td>$3.5</td>
<td>$3.7</td>
<td>$5.7</td>
<td>$9.6</td>
<td>$11.5-$12.6</td>
</tr>
<tr>
<td>Net Income Margin</td>
<td>18.7%</td>
<td>16.7%</td>
<td>16.1%</td>
<td>19.5%</td>
<td>19.5%</td>
<td>-</td>
</tr>
<tr>
<td>Diluted EPS¹</td>
<td>NA</td>
<td>$0.64</td>
<td>$0.67</td>
<td>$1.00</td>
<td>$1.61</td>
<td>-</td>
</tr>
</tbody>
</table>

**Note:**
1. 2008 net income and operating figures added back share based compensation of $0.84MM.
2. 2011E number are based on Company's guidance.
## Balance Sheet Summary

*(In US$, except per share data)*

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash</strong></td>
<td>$ 4,162,069</td>
<td>$ 2,320,656</td>
<td>$ 10,674</td>
</tr>
<tr>
<td><strong>Accounts receivable</strong></td>
<td>13,310,770</td>
<td>8,762,516</td>
<td>9,374,255</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>32,229,667</td>
<td>24,405,725</td>
<td>24,361,241</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 51,647,250</td>
<td>$ 36,130,959</td>
<td>$ 36,224,260</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>19,482,718</td>
<td>14,657,347</td>
<td>20,621,120</td>
</tr>
<tr>
<td><strong>Shareholders' equity</strong></td>
<td>32,164,532</td>
<td>21,473,612</td>
<td>15,603,140</td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders' equity</strong></td>
<td>$ 51,647,250</td>
<td>$ 36,130,959</td>
<td>$ 36,224,260</td>
</tr>
</tbody>
</table>

*Source: Company data*
## Comparison to Other Chinese Textile Makers

($ in millions, except per share data)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Addchance Holdings Limited (SEHK:3344)</td>
<td>$0.11</td>
<td>47.7</td>
<td>107.8</td>
<td>182.4</td>
<td>21.0</td>
<td>9.2</td>
<td>0.6x</td>
<td>5.1x</td>
<td>5.0x</td>
<td>19.2%</td>
<td>11.5%</td>
<td>5.0%</td>
<td></td>
</tr>
<tr>
<td>Art Textile Technology International Co. Ltd. (SEHK:565)</td>
<td>$0.03</td>
<td>33.1</td>
<td>45.1</td>
<td>102.4</td>
<td>14.8</td>
<td>1.7</td>
<td>0.4x</td>
<td>3.0x</td>
<td>19.2x</td>
<td>15.4%</td>
<td>14.5%</td>
<td>1.7%</td>
<td></td>
</tr>
<tr>
<td>Huafeng Group Holdings Limited (SEHK:364)</td>
<td>$0.05</td>
<td>74.5</td>
<td>58.1</td>
<td>99.5</td>
<td>19.9</td>
<td>8.8</td>
<td>0.6x</td>
<td>2.9x</td>
<td>9.8x</td>
<td>23.6%</td>
<td>20.0%</td>
<td>8.9%</td>
<td></td>
</tr>
<tr>
<td>Kam Hing International Holdings Ltd. (SEHK:2307)</td>
<td>$0.14</td>
<td>125.3</td>
<td>242.0</td>
<td>420.4</td>
<td>34.8</td>
<td>12.4</td>
<td>0.6x</td>
<td>6.9x</td>
<td>9.8x</td>
<td>15.7%</td>
<td>8.3%</td>
<td>3.0%</td>
<td></td>
</tr>
<tr>
<td>Shinih Enterprise Co. Ltd. (TSEC:9944)</td>
<td>$0.86</td>
<td>82.4</td>
<td>98.8</td>
<td>115.6</td>
<td>16.8</td>
<td>6.1</td>
<td>0.9x</td>
<td>5.9x</td>
<td>13.6x</td>
<td>23.0%</td>
<td>14.5%</td>
<td>5.2%</td>
<td></td>
</tr>
<tr>
<td>Texhong Textile Group Ltd. (SEHK:2678)</td>
<td>$0.90</td>
<td>798.9</td>
<td>900.3</td>
<td>837.4</td>
<td>173.4</td>
<td>128.7</td>
<td>1.1x</td>
<td>5.2x</td>
<td>6.3x</td>
<td>23.9%</td>
<td>20.7%</td>
<td>15.4%</td>
<td></td>
</tr>
<tr>
<td>Victory City International Holdings Ltd. (SEHK:539)</td>
<td>$0.22</td>
<td>265.8</td>
<td>437.7</td>
<td>522.9</td>
<td>80.5</td>
<td>40.0</td>
<td>0.8x</td>
<td>5.4x</td>
<td>5.7x</td>
<td>18.8%</td>
<td>15.4%</td>
<td>7.7%</td>
<td></td>
</tr>
<tr>
<td>Weiqiao Textile Co. Ltd. (SEHK:2698)</td>
<td>$1.04</td>
<td>1,244.5</td>
<td>1,987.0</td>
<td>2,737.5</td>
<td>567.3</td>
<td>249.1</td>
<td>0.7x</td>
<td>3.5x</td>
<td>5.0x</td>
<td>16.1%</td>
<td>20.7%</td>
<td>9.1%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Capital IQ
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Contact Information

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HC International  
Phone: +1 917 721 9480  
Email: scott.powell@hcinternational.net
Appendix
Production Technology Process

Flax Cutting and Bunching → Retting and Degumming → Scutching → Flax Hackling → Drawing → Roving → Roving Bleaching → Wet Spinning Spun Yarn → Flax Yarn

Weaving → Yarn-dyed Fabric → Dyeing

Dyeing finishing, post-finishing

Preparation for New Establishment

Raw Materials Processing

Semi-Bleached Fabric(Pfd) → Semi-Bleaching

Gray Fabric

Weaving