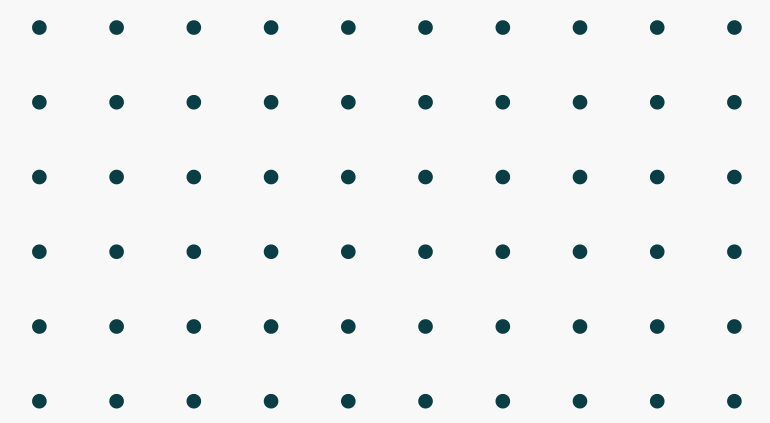




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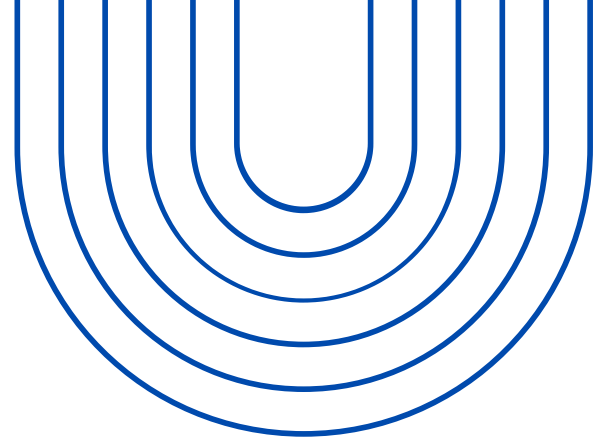
# HONG YI FIBER IND. CO., LTD.

## 2023 Investor Conference



November 23, 2023

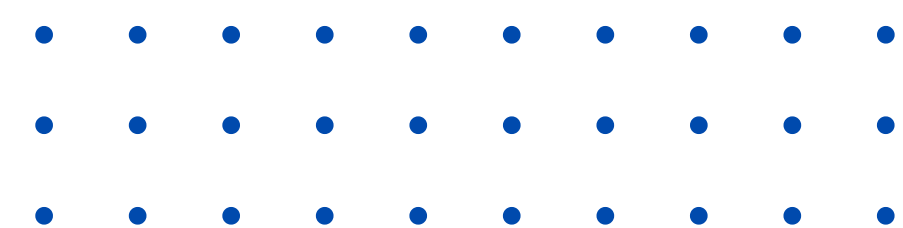
# Disclaimer



**01.** The information contained in this presentation, which includes the materials of the company overview, financial figures, business development, etc.

**02.** The company does not release its financial forecast. The financial business and Q & A instructions may concern the statement of the future-operation and industrial development, which might be different from reality in the future. The reasons for the discrepancy may include other market risk factors which the company can not anticipate, such as changes in market demand, price volatility, competitive activity, international economic conditions, exchange rate fluctuations and the statement of upstream and downstream supply chains.

**03.** In this presentation, the future-prospect reflects the company's perception of the future. While viewing this presentation, please also make the reference to the disclosure material, which is authorized by the government. After this presentation is made in public, the actual result may force the content of this presentation to be adjusted. Please notice the company is not responsible for any instant update nor reminder.



# Agenda

**01 Company Profile**

**02 Market Overview**

**03 Financial Overview**

**04 Outlook for Future**



# Company Profile – About Hong Yi

<b>Reality</b>	<b>Responsibility</b>
Firmly doing a good job step by step.	Doing a good job on meeting requirement and responsibility.
<b>Creation</b>	<b>Positivity</b>
Seeking new changes and development actively.	To actively respond demands.

<b>Date of establishment</b>	<b>August 23, 1968</b>
<b>Registered capital</b>	<b>NTD 1.326 Billion</b>
<b>Chairman</b>	<b>Chen-Jung Shih</b>
<b>Employees</b>	<b>209 (October 31, 2023)</b>
<b>Main product</b>	<b>Polyester-Made Draw Textured Yarn (DTY)</b>
<b>Date of listing</b>	<b>Listed on TWSE on December 28, 1992 (1452-TW)</b>



# Company Profile – History

- The company was founded.

1968

- Factory in Taoyuan officially operated to mainly produce polyester yarn.

1969

- Establishing the factory in Yingge Dist.

1984

- Friction-type false twisting machine was started officially and put into production.
- Stock listed for trading on the Taiwan Stock Exchange.

1992

- The organization was streamlining and merging.

2000

- Taoyuan factory was sale of land, building, machinery, equipment and miscellaneous equipment and set the company's headquarter in Taipei.

2002

- Hong Yi was awarded to Global Recycled Standard(GRS).

2017

# Company Profile - Industry Upstream and Downstream Relevance

Taiwan has a complete plasticization supply chain, and it is one of the main raw material supply sources for the global textile consumer market. The domestic fiber series products are mainly polyamide (nylon) and polyester products.



## Upstream

The raw materials for the upstream polyester yarn are PTA (Pure Terephthalic Acid) and EG (Ethylene Glycol). Fluctuations in international crude oil prices and the demand for downstream polyester products will affect their prices.



## Midstream

Man-made fibers and DTY industry use artificial methods to produce stable, inexpensive and natural fiber-like materials. After special processing, the finished fabric can increase the comfort and beauty when worn.

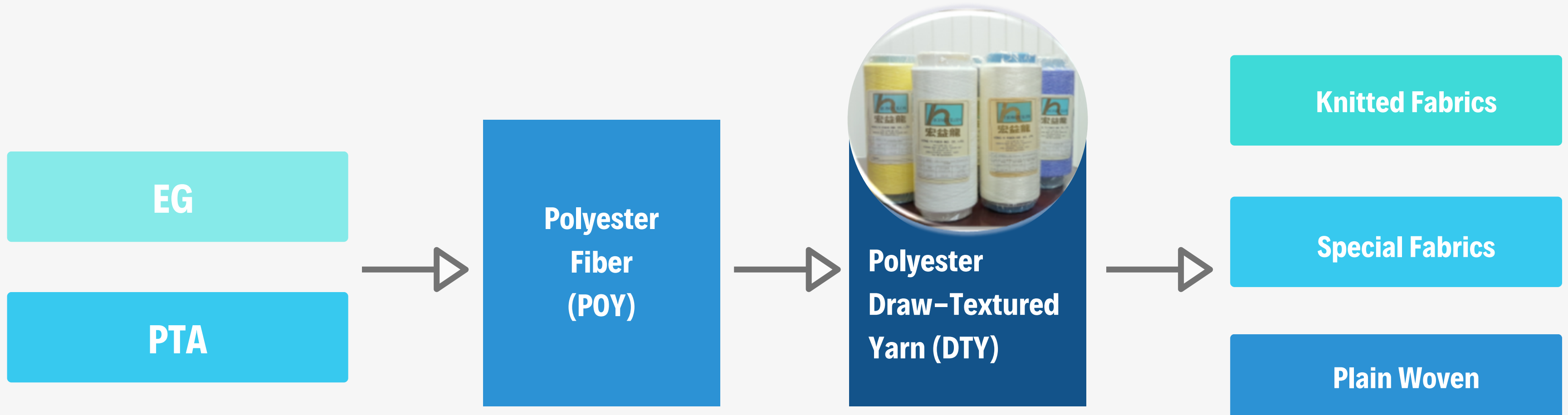
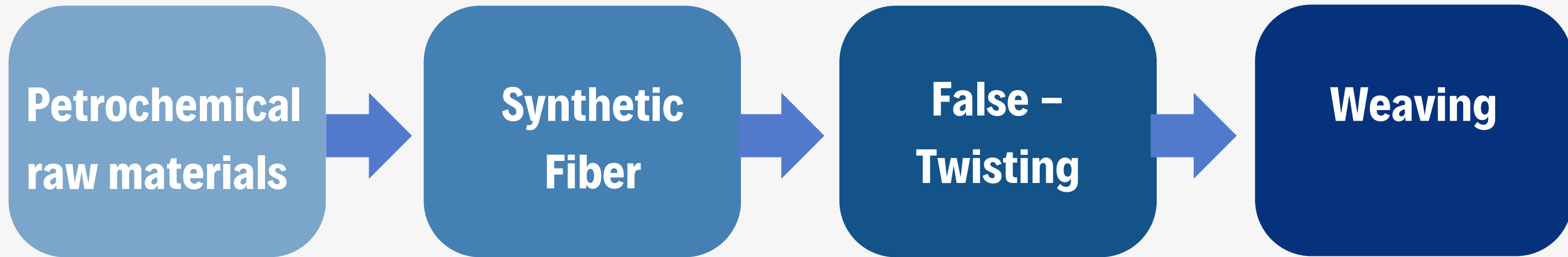


## Downstream

The weaving, dyeing and finishing industry is the downstream of the processing silk industry; dyeing is the most energy and water consuming part of the textile industry, but it is also an important link for textile differentiation and value-added.



# Company Profile - Textile Industry Chain





# Company Profile – Products

## Polyester Draw-Texture Yarn (DTY)

### Products

- Standard Yarn
- Standard TCD Composite Yarn
- Eco-Friendly Yarn
- Eco-Friendly TCD Composite Yarn
- Functional Yarn

### Application

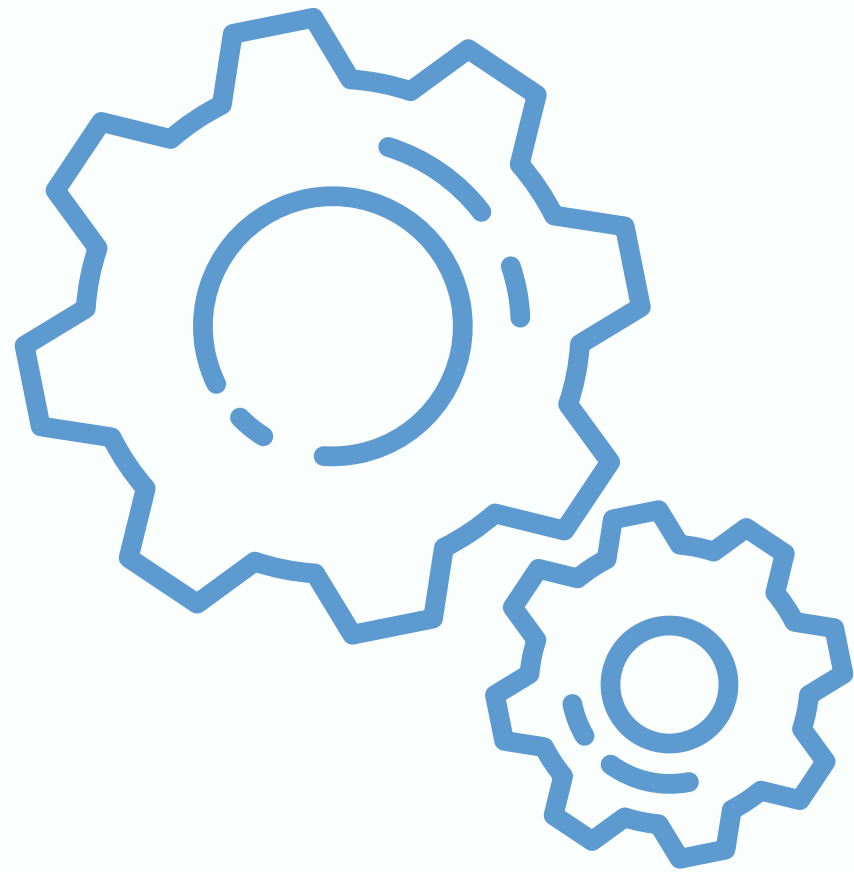
- Plain Woven
- Knitting
- Sport & Casual Wear
- Functional Fabric
- Home-Use Fabric
- Industrial-Use Fabric

### Item

- CD Yarn – 20%, 30%, 50%, 65% and 75%
- Hong Yi Signature Three-Color Yarn
- Thick & Thin Yarn
- Bio-Shrinkage Yarn
- Super-Elastic Yarn
- All Kinds of Eco-Friendly Yarn
- All Kinds of Special Yarn



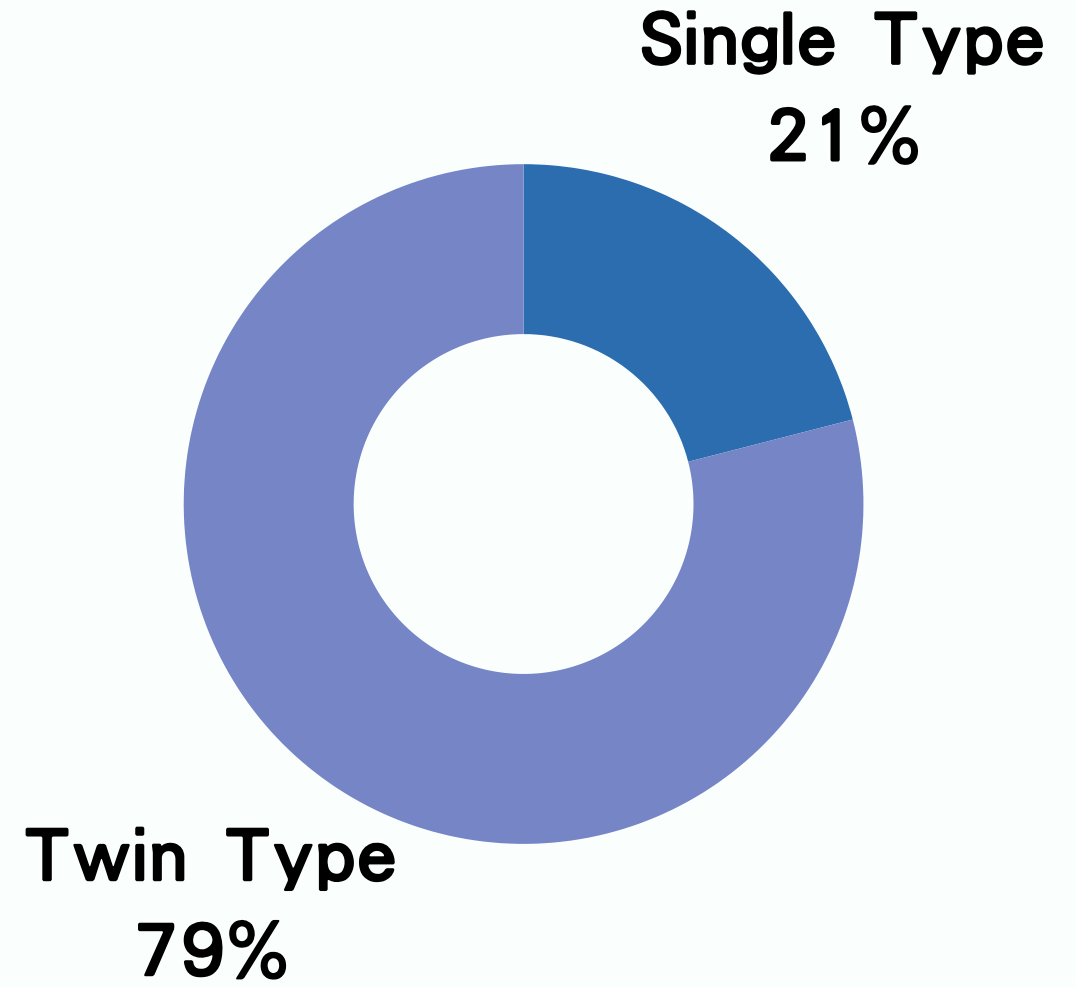
# Company Profile – Equipment



# 2023 Equipment

**Twin Type**  
27 SETS  
(16 for automatic doffer)

**Single Type**  
7 SETS





全球回收標準GRS

Global Recycled Standard

## Company Profile – Global Recycled Standard

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**Hong Yi was awarded  
to certificate of Global  
Recycled Standard  
since 2017 .**

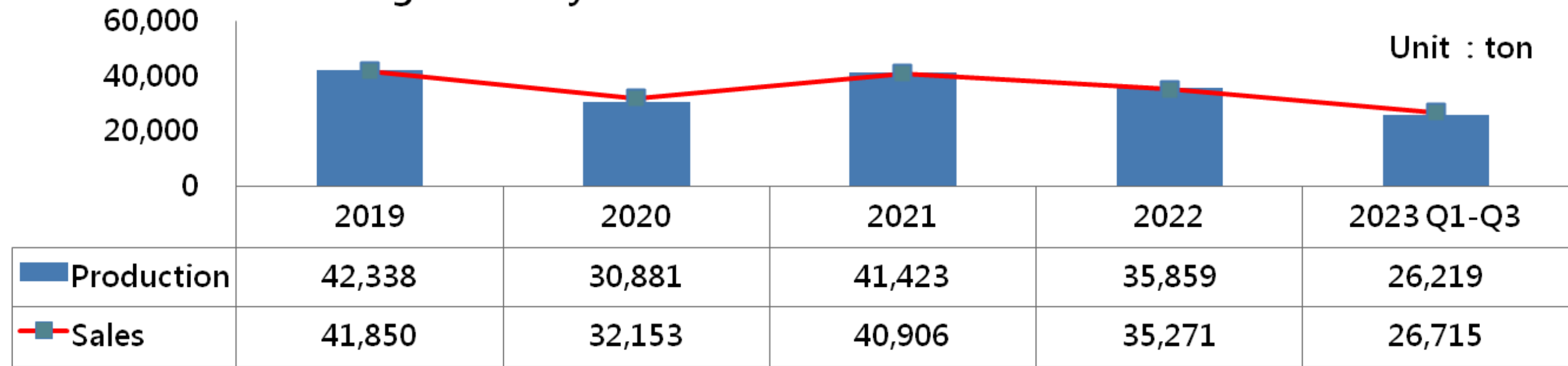
## Market Overview– Development Trends

- Under the wave of net-zero carbon emission, in the global industrial chain, the global textile industry has shifted its focus to "sustainability and low carbon" as eco-friendly products become an emerging trend.
- Rising health awareness and the trend to combine sports and lifestyle apparel have led to an increased demand for functional composite textiles with moisture wicking, antimicrobial properties and high durability.
- As the trade war drags on and cost considerations continue, international brands have shifted their sourcing center to Southeast Asia, while the domestic textile industry is actively segmenting the market with high value-added, differentiated products and maintaining its long-term competitiveness.

## Market Overview— Current Status

- To improve market responsiveness and minimize inventory risk, and to reduce tariffs and transportation costs, brand owners have formed a supply chain model of nearby markets and are required to provide customized production for their products.
- As numerous countries around the world have pledged to a net-zero agenda, some well-known companies have begun to promote a green supply chain and have actively moved toward the development of "eco-friendly materials" and "low-carbon manufacturing processes".
- Poor global economic growth has diminished consumers' willingness to make purchases. Additionally, brand companies have struggled to reduce excess inventories, and the volume of orders placed with the textile industry has declined. Consequently, the profits have significantly declined due to a price war among industry peers.

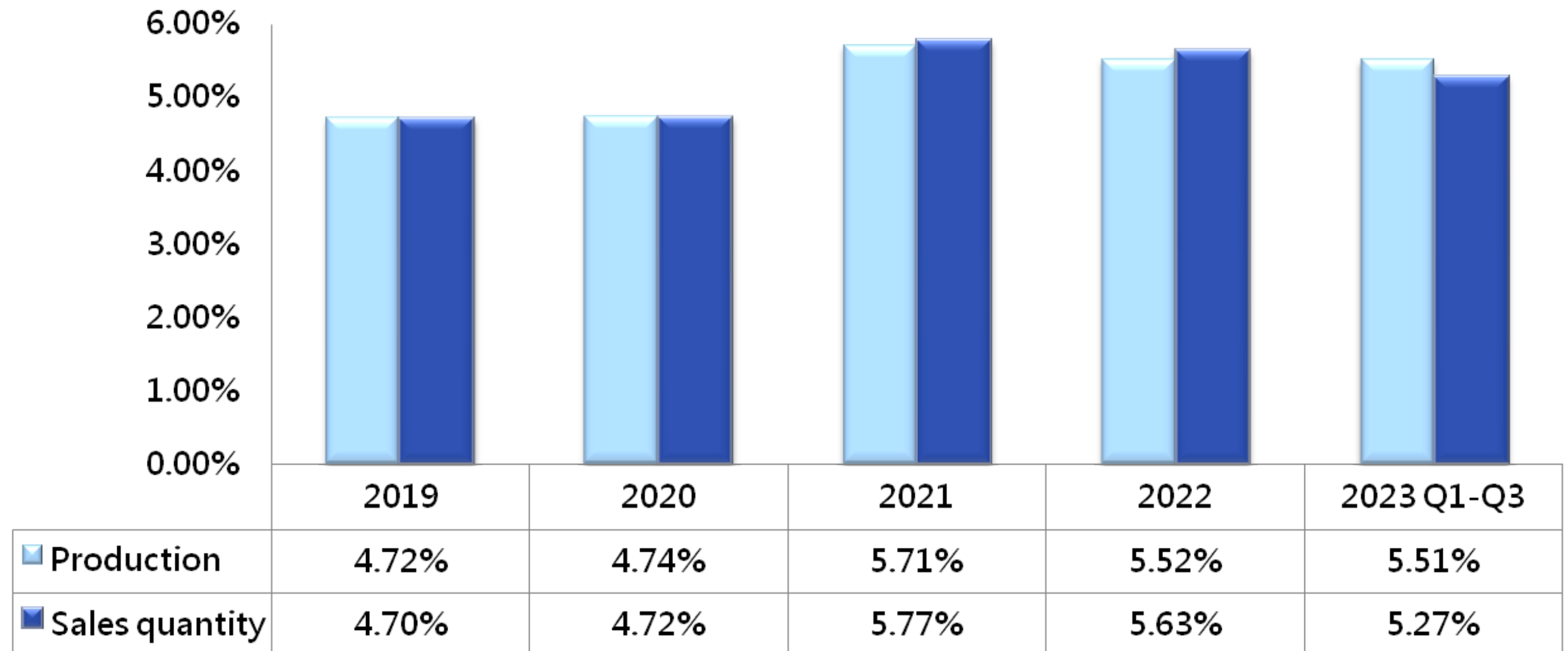
Average Monthly Production and Sales of Draw-Texture Yarn in Taiwan



## Market Overview— Production and Marketing Status

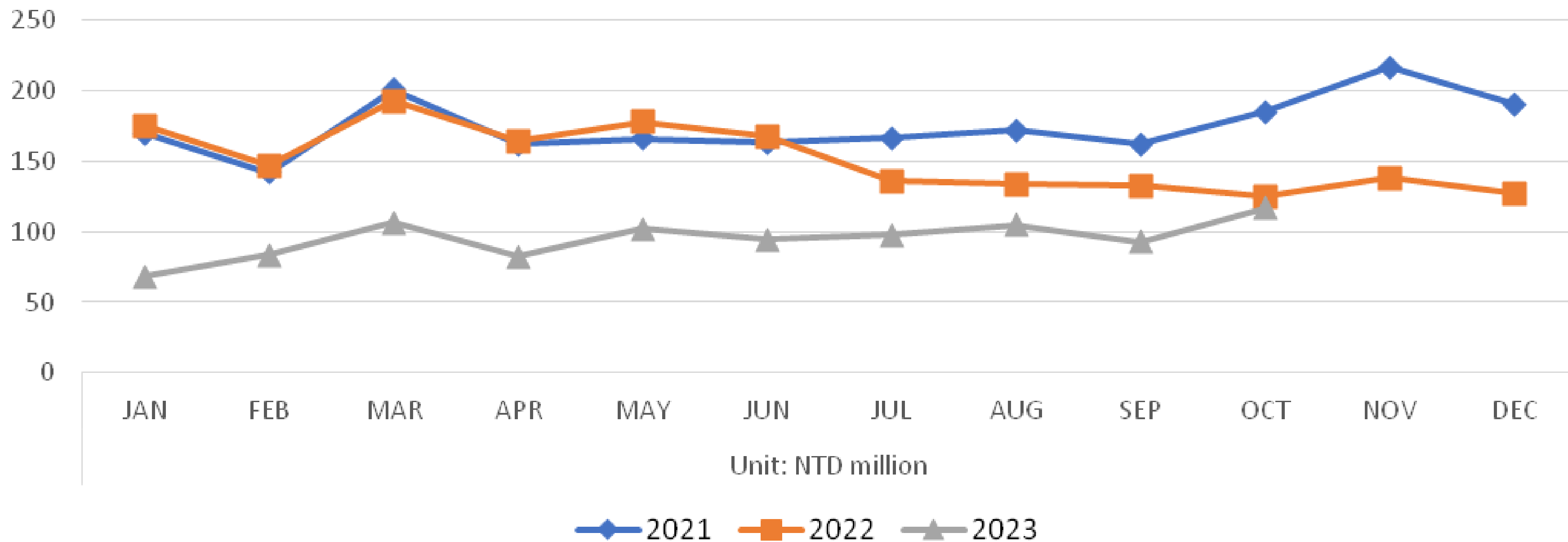
Remarks: According to the production and sales data published by TMMFA, the company's market share is estimated.

Market share



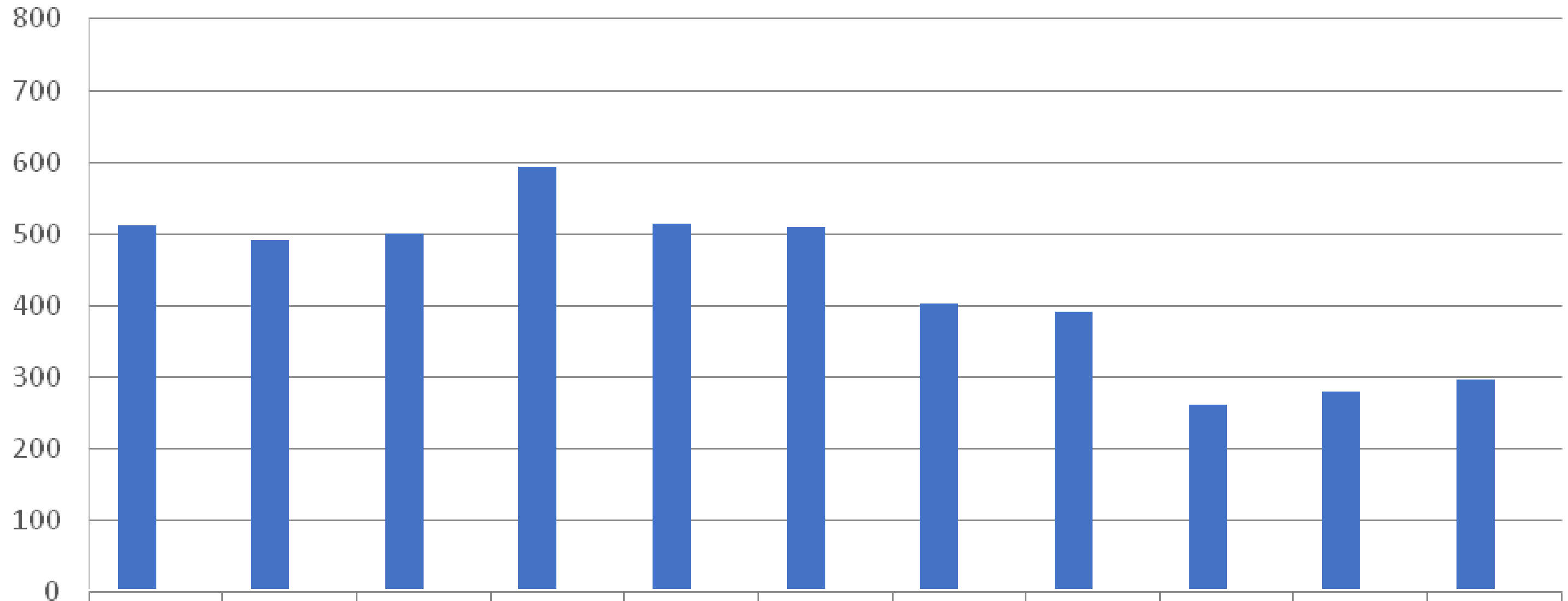
# Financial Overview – Results of Business

## Sales Revenue-Monthly



# Financial Overview – Results of Business

## Sales Revenue-Quarterly

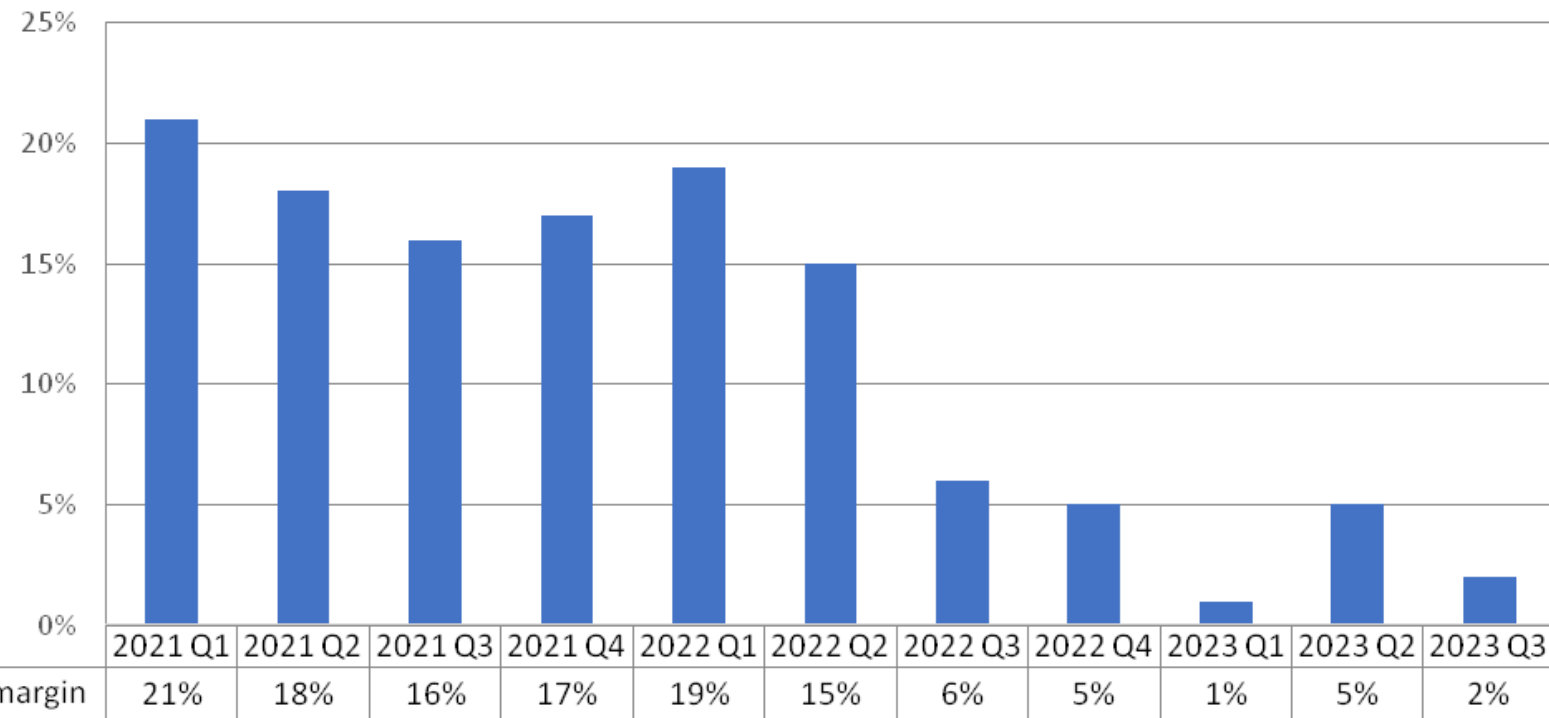


	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3
■ Operating revenue (NTD million)	513	491	501	593	515	510	403	390	260	279	296
YOY	37.53%	238.62%	62.14%	33.26%	0.39%	3.87%	-19.56%	-34.23%	-49.51%	-45.29%	-26.55%

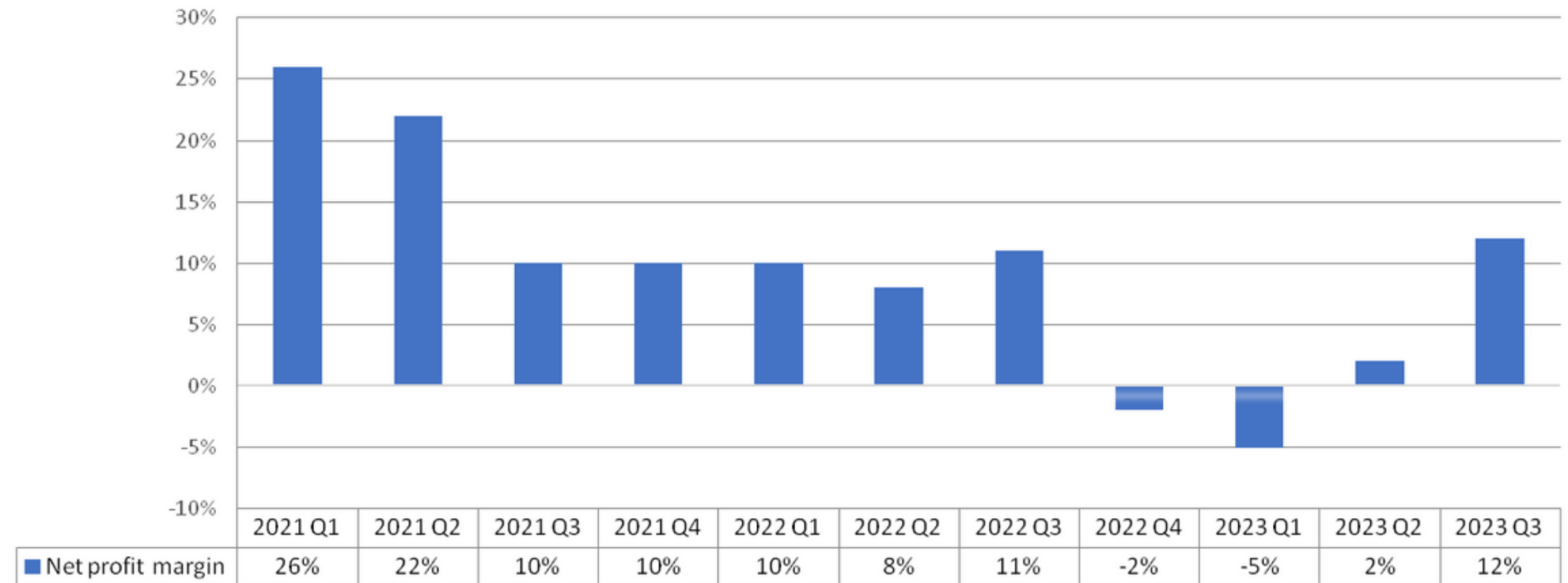
# Financial Overview – Results of Business

## Analysis of Profitability Ratios

Gross margin



Net profit margin





# Financial Overview – Results of Business

## Consolidated Statement of Comprehensive Income

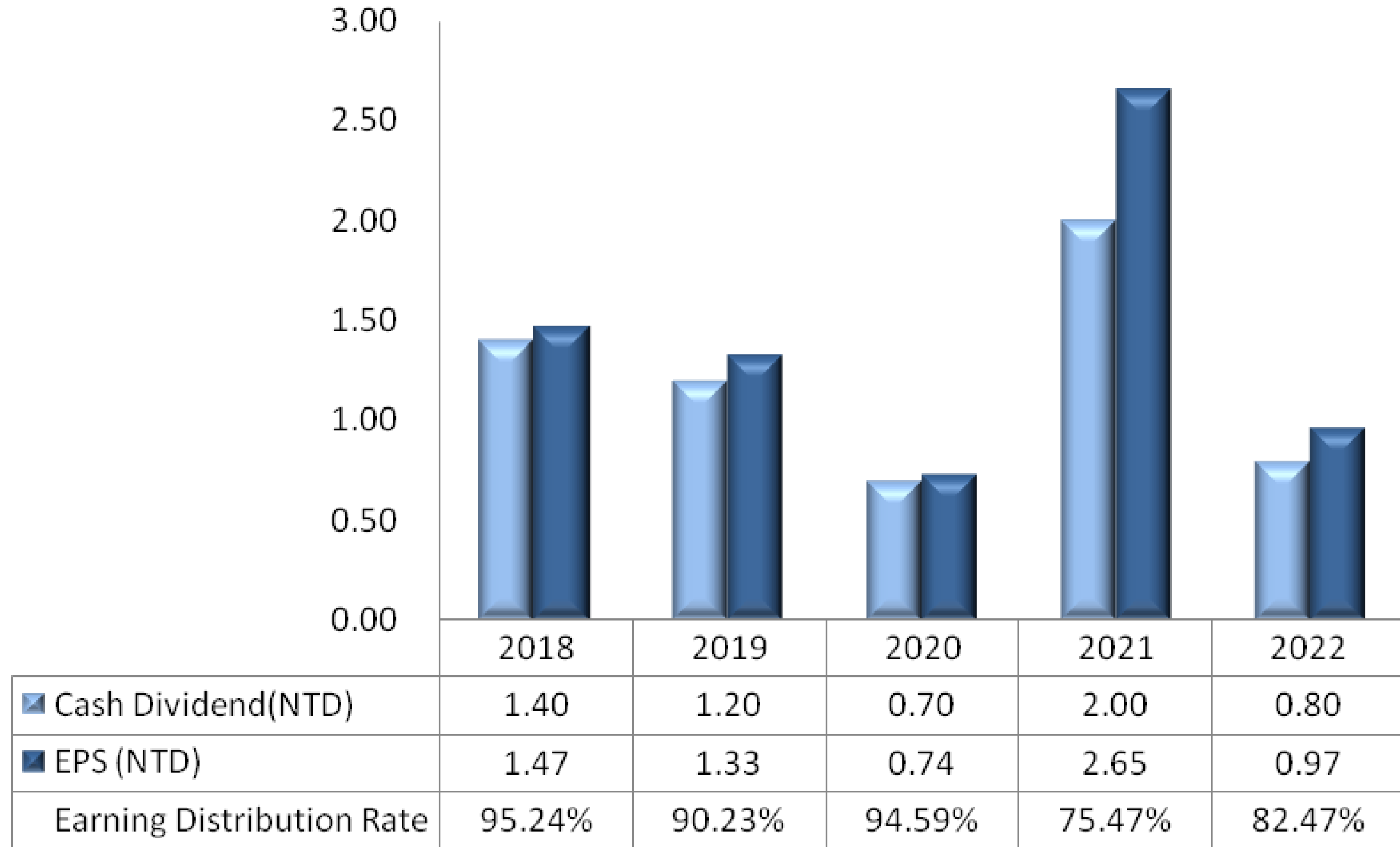
	Unit: NTD thousand					
	2023/1/1 to 9/30		2022/1/1 to 9/30		Variance	
	Amount	%	Amount	%	Amount	%
<b>Operating revenue</b>	<b>834,721</b>	<b>100</b>	<b>1,428,858</b>	<b>100</b>	<b>(594,137)</b>	<b>(42)</b>
<b>Operating costs</b>	<b>813,046</b>	<b>97</b>	<b>1,229,522</b>	<b>86</b>	<b>(416,476)</b>	<b>(34)</b>
<b>Gross profit</b>	<b>21,675</b>	<b>3</b>	<b>199,336</b>	<b>14</b>	<b>(177,661)</b>	<b>(89)</b>
<b>Operating expenses</b>						
Selling expenses	31,752	4	42,502	3	(10,750)	(25)
Administrative expenses	34,328	4	40,944	3	(6,616)	(16)
Research and development expenses	6,027	1	7,988	-	(1,961)	(25)
Expected credit impairment loss (gain)	(420)	-	(2,182)	-	1,762	81
<b>Total operating expenses</b>	<b>71,687</b>	<b>9</b>	<b>89,252</b>	<b>6</b>	<b>(17,565)</b>	<b>(20)</b>
<b>Operating income (loss)</b>	<b>(50,012)</b>	<b>(6)</b>	<b>110,084</b>	<b>8</b>	<b>(160,096)</b>	<b>(145)</b>
<b>Non-operating income and expenses</b>						
Interest income	15,604	2	4,225	-	11,379	269
Other income	17,633	2	25,715	2	(8,082)	(31)
Other gains and losses	49,032	6	33,779	2	15,253	45
Finance costs	(10)	-	(27)	-	17	63
<b>Total non-operating income and expenses</b>	<b>82,259</b>	<b>10</b>	<b>63,692</b>	<b>4</b>	<b>18,567</b>	<b>29</b>
<b>Income (loss) before income tax</b>	<b>32,247</b>	<b>4</b>	<b>173,776</b>	<b>12</b>	<b>(141,529)</b>	<b>(81)</b>
<b>Income tax expenses</b>	<b>4,233</b>	<b>1</b>	<b>36,004</b>	<b>2</b>	<b>(31,771)</b>	<b>(88)</b>
<b>Net income (loss)</b>	<b>28,014</b>	<b>3</b>	<b>137,772</b>	<b>10</b>	<b>(109,758)</b>	<b>(80)</b>
<b>Other comprehensive income</b>						
Unrealised gains (losses) from equity instruments measured at fair value through other comprehensive income	29,302	4	(15,875)	(1)	45,177	(285)
<b>Total comprehensive income</b>	<b>57,316</b>	<b>7</b>	<b>121,897</b>	<b>9</b>	<b>(64,581)</b>	<b>(53)</b>
<b>Basic earnings per share</b>	<b>0.21</b>		<b>1.04</b>			



## Financial Overview – Key Financial Performance Indicator

Item/Year	2019	2020	2021	2022	2023 Q1-Q3
Debt ratio (%)	7.60	8.58	11.58	7.07	5.51
Current ratio (%)	1,198.86	1,040.82	734.81	1,336.21	1,919.85
Property, plant and equipment turnover (times)	2.70	1.93	3.46	3.26	2.16
Return on equity (%)	7.04	3.89	13.17	4.64	1.05
Net profit margin (%)	9.18	7.67	16.76	7.05	3.36

## Financial Overview–Dividend Distribution



# Financial Overview – Capital Expenditure

Unit: NTD thousand

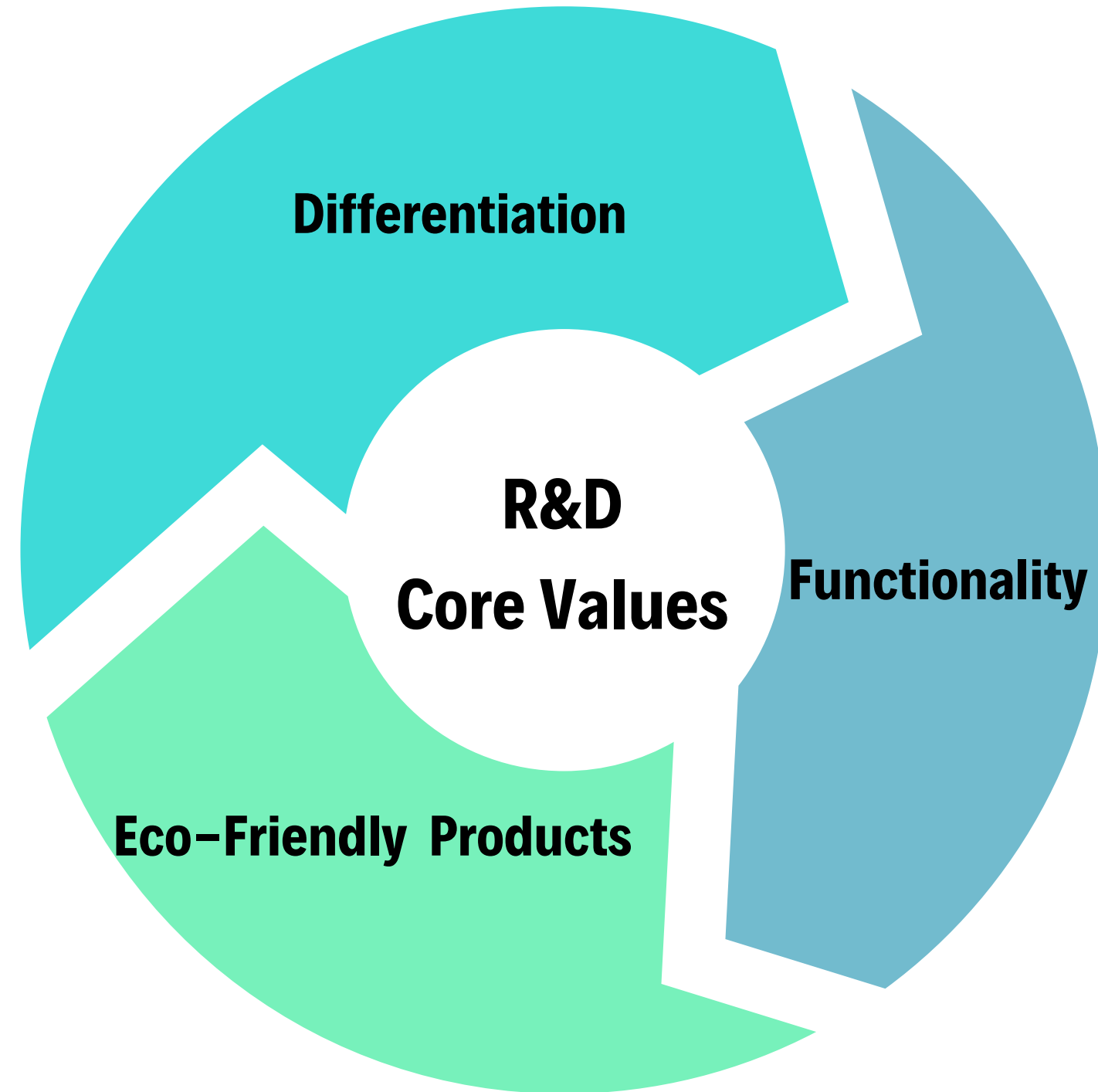
Year	Amount	The Main Purchase Items
2019	13,222	Air compressors & ancillary equipments
2020	1,698	Transportation & miscellaneous equipments
2021	5,457	Transportation & miscellaneous equipments
2022	4,333	Buildings, transportation & miscellaneous equipments
2023 Q1–Q3	1,116	Miscellaneous equipments

# Outlook for Future– R&D Project

- Eco-Friendly Composite Draw Textured Yarn
- Composite Yarn from Raw Material in Different Physical Properties

- Wool-Like & Elastic Yarn
- Moisture Wicking Yarn (Patterned)
- Development of Different Proportion of CD Components

- Developing New Type of Yarn to Meet Demands



- Tetoron & Cationic Dyeable Composite Yarn in Thin Denier
- Tetoron & Cationic Dyeable Composite Yarn

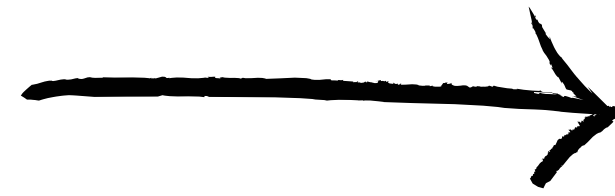
- Different Patterns of Composite Yarn
- Eco-Friendly TCD Composite Yarn

- Roving Denier Yarn
- Three-Color Yarn
- Four-Color Yarn
- Wool-Like Yarn

# Outlook for Future – Operational Strategy

## Short-term

- Aim to maximize production capacity.
- Adapt the product structure flexibly to quickly meet the needs of customers and respond to market trends.
- Expand sales of high-value and functional products to improve profitability.
- Pay close attention to global industry trends and changes in environmental protection regulations to ensure the company keeps pace with international trends.



## Long-term

- Strengthen quality management and optimize corporate image.
- Improve the R&D level to raise the proportion of differentiated products.
- Collaborate closely with both upstream and downstream industries to build a robust industry chain and marketing network.
- Dedicate to executing low-carbon transformations and upholding ESG policies to establish sustainable operational competitiveness.

# Outlook for Future



## Opportunity

- With the post-pandemic era in full swing, people have returned to their normal daily lives and the demand for sports and casual apparel is gradually increasing.
- In response to the global emphasis on energy conservation, carbon reduction, and eco-friendliness, major brands have announced their goals to incorporate a higher proportion of eco-friendly materials. This has greatly boosted the demand for eco-friendly yarns.
- Through collaboration within a thorough and interconnected industrial value chain, we can enhance the value proposition of our products and differentiate ourselves from competitors.



## Challenge

- Due to geopolitical tensions and regional military conflicts, as well as continued inflation in Europe and the US, these factors have weakened the overall status of the economy.
- Taiwan's sluggish progress in entering the global regional integration and the lack of preferential tariffs has resulted in the relocation of its textile supply chain and the steady decline in orders for textured yarn, potentially creating a crisis of industrial marginalization.
- With the implementation of the Carbon Border Tax in the EU, new "trade barriers" have emerged. Companies that fail to invest in carbon management could risk becoming obsolete.
- Achieving the goal of net-zero emissions requires reducing carbon, procuring green energy, and implementing carbon fees, all of which will increase operating costs. Finding a balance between sustainable environmental protection and economic growth is now a globally significant matter!



## Competitive Advantage

- With a developed and matured textile supply chain, as well as strong R&D and innovation capabilities, Taiwan's functional textiles have emerged as a leading supplier for major global sports events.
- The company has obtained the GRS certification since 2017, various eco-friendly products and stable quality have helped to raise the limit for competitors.
- The company's high proportion of twin-type false twisting machine and diverse material sources provide flexible production with small amount and diverse production mode.
- Sound financial structure with low cost of capital.

# THANK YOU!



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