Reality , Responsibility , Positivity , Creation

宏益纖維工業股份有限公司
HONG YI FIBER IND. CO., LTD
2019 Investor Conference

(1452-TW)

Nov.19,2019

Disclaimer

- The information contained in this presentation, which includes the materials of the company overview, financial figures, business development and etc.
- The Company do 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 the actual 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.
- 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

HONG YI

- Company Profile
- Industry Overview
- Operations Overview
- Financial Overview
- Outlook
- Q&A

Company Profile - About Hong Yi

HONG YI

- Date of establishment : August 23, 1968
- Registered capital : TWD 1.326 Billon
- Chairman : Mr. Shin , Chen-Jung
- Employees : 234 Employees (October, 2019)
- Main product : Polyester-Made Draw Textured Yarn (DTY)
- Date of listing : Listed on TWSE on
  December 28, 1992 (1452-TW)

Company Profile - History(1)

HONG YI

1968 The Company was founded.

1969 Operated to produce Polyester Textured Yarn officially.

1973 The first company to use the Pre-Orented Yarn (POY) as the raw materials , and used the POY directly to produce the false-twist yarn , as know as DTY .

1979 The Company also took the lead to develop the air texture yarn , which could reduce the costs and increase competitiveness of the products.

1984 Expansion the 2nd factory in Ying Ge.

1992 Friction-type false twisting machine was started officially and put in production.

Stock listed for trading on the Taiwan Stock Exchange.

Company Profile - History(2)

HONG YI

2000 The organization was streamlining and merging, and the spindle production moved to Ying Ge factory.

2002 Taoyuan factory was sale of idle land, building, machinery, equipment and miscellaneous equipment. Also streamlining the processes, saving the costs and improving the efficiency, which consolidated the financial and the business offices, therefore set the company's headquarter in Taipei.

2005 ERP fully activated.

2015 Shareholders elected independent directors, and set up the audit committee substitute supervisors.

2016 Set up 100% owned subsidiary company - Hong Bang Inv. Co., Ltd.

2017 Hong Yi was awarded to Global Recycle Standards(GRS).

Company Profile - Products

HONG YI

The company's business is mainly for polyester draw-texture yarn (DTY) manufacturing and marketing.

Products :

DTY is mainly micro multi filaments of 50 through 600 denier in various choices. It is suitable for high grade clothing and fancy yarn use.

Application :

plain woven, knitting, casual wear and fabrics for industrial use, etc.

Item :

CD Yarn -20%、30%、50%、65%、75%

Colorful 3 Tone Yarn

Thick & Thin Yarn -Bright/Sunshine/TTK&RTK

Functional Yarn

Super-Elastic Yarn

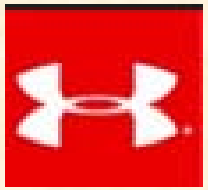
Re-cycled Yarn

All Kind of Special Yarn

Company Profile -

Co-op Terminal Brands

HONG YI



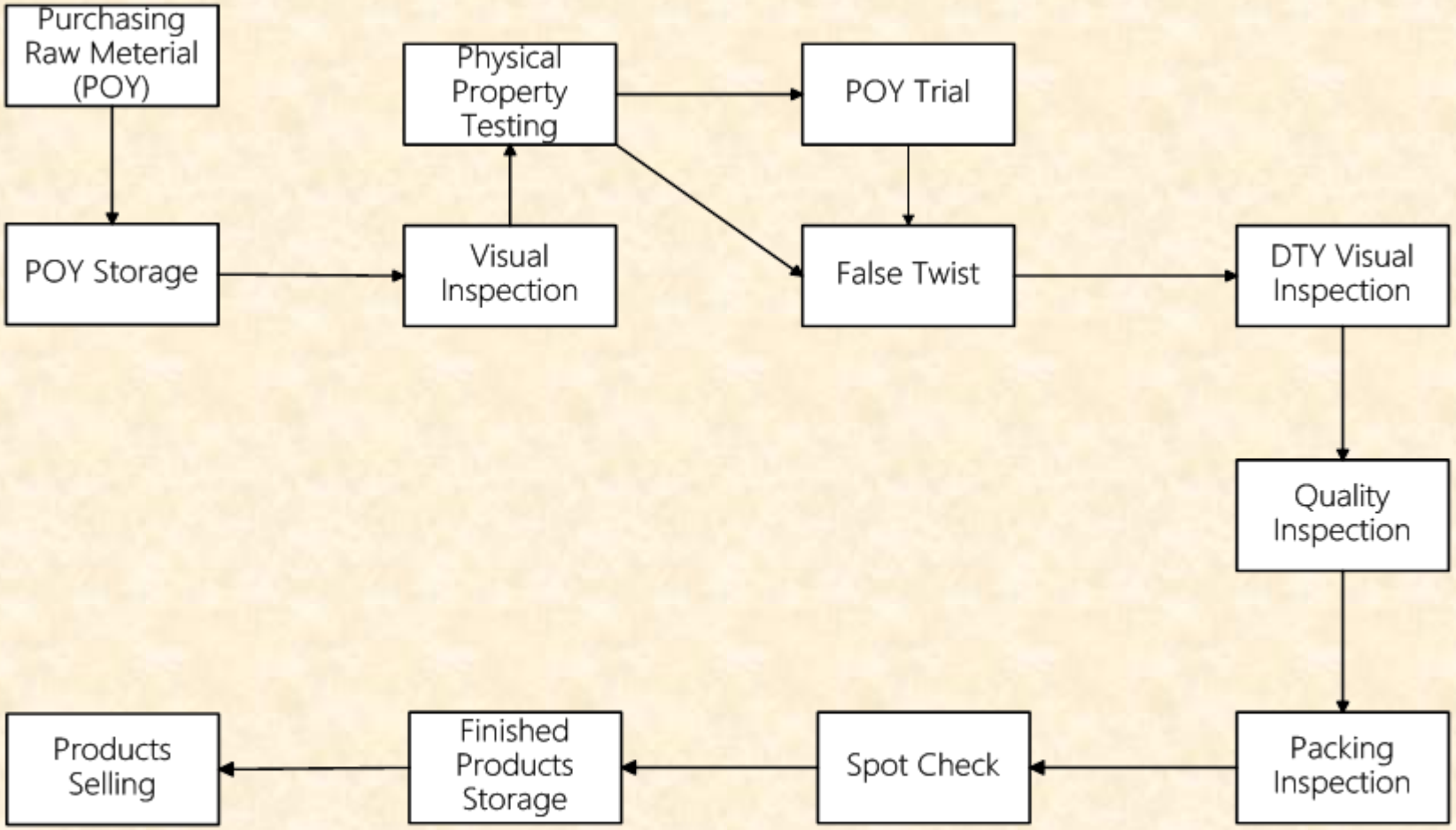
Company Profile -
Equipment

HONG YI

2019Y Equipment	
Twin Type	Single Type
27/set (16 for automatic doffer)	7/set

Company Profile -
Manufacturing Process

HONG YI



Company Profile –
Global Recycled Standard

HONG YI

Hong Yi was awarded to Certificate of Global Recycled Standards since 2017。

Industry Overview -
Industry Status and Development

HONG YI

Current Situation

- The DTY industry is a highly technical and capital-intensive industry, the technique is the key to the competitiveness of industrial development.
- Quality emulation ability is one of the main reasons for the rapid growth of the industry, but it also causes difficulties for manufacturers to obtain or maintain the technical advantages of general products.
- With the continuous development and improvement of technology, the focus of industrial development has shifted from conventional yarn types to functional products.

Development

- With the increase in income, the demand for textiles has increased quantity and turned into the requirement of quality. The artistic quality, health and popularity of textiles have become the focus of market demand, so it is necessary to continuously develop new materials and create product differentiation. And due to the rise of global environmental awareness, environmental-friendly chemical fiber processing silk has gradually become a trend.
- The production of conventional textiles in emerging countries such as Mainland China and Southeast Asia has the advantages of large quantity and low price, and the regional economic integration of various countries is becoming more frequent. The downstream manufacturers are moving outwards, which are caused a major impact by the orders and profits of the domestic textile industry in the export market.

Industry Overview -
Industry Upstream and Downstream Relevance

- 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.

- 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.

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

- In the global competitive situation, the cooperation with the complete and close industrial value chain can respond to the market demand for product differentiation and rapid response.

Industry Overview -
Textile Industry Chain

HONG YI

Petrochemical raw materials → Raw Material Fiber → False-Twist → Weaving

EG
PTA
→ **Polyester Fiber (POY)** → Polyester Drawn-Textured Yarn (DTY) → Knitted Fabrics / Special Fabrics / Plain Woven

Industry Overview - Product Development Trends and Competition Situation

HONG YI

- With the trend of sports and leisure in the world, casual and fashionable wear are light and soft, so the demand for special specifications of silk products such as thin- denier, high-filament, quick drying, anti-bacteria and environmental-friendly are increasing.

- Local downstream manufacturers are shifting their focus to Southeast Asian countries. Due to the low price of conventional products in Mainland China and emerging countries, there is a tendency for oversupply, and the future competitive situation is bound to become more intense.

- The company actively expands its functional products and moves toward environmental protection material, customization and refinement, and increases the proportion of high value-added products to increase profitability.

Operational Overview -

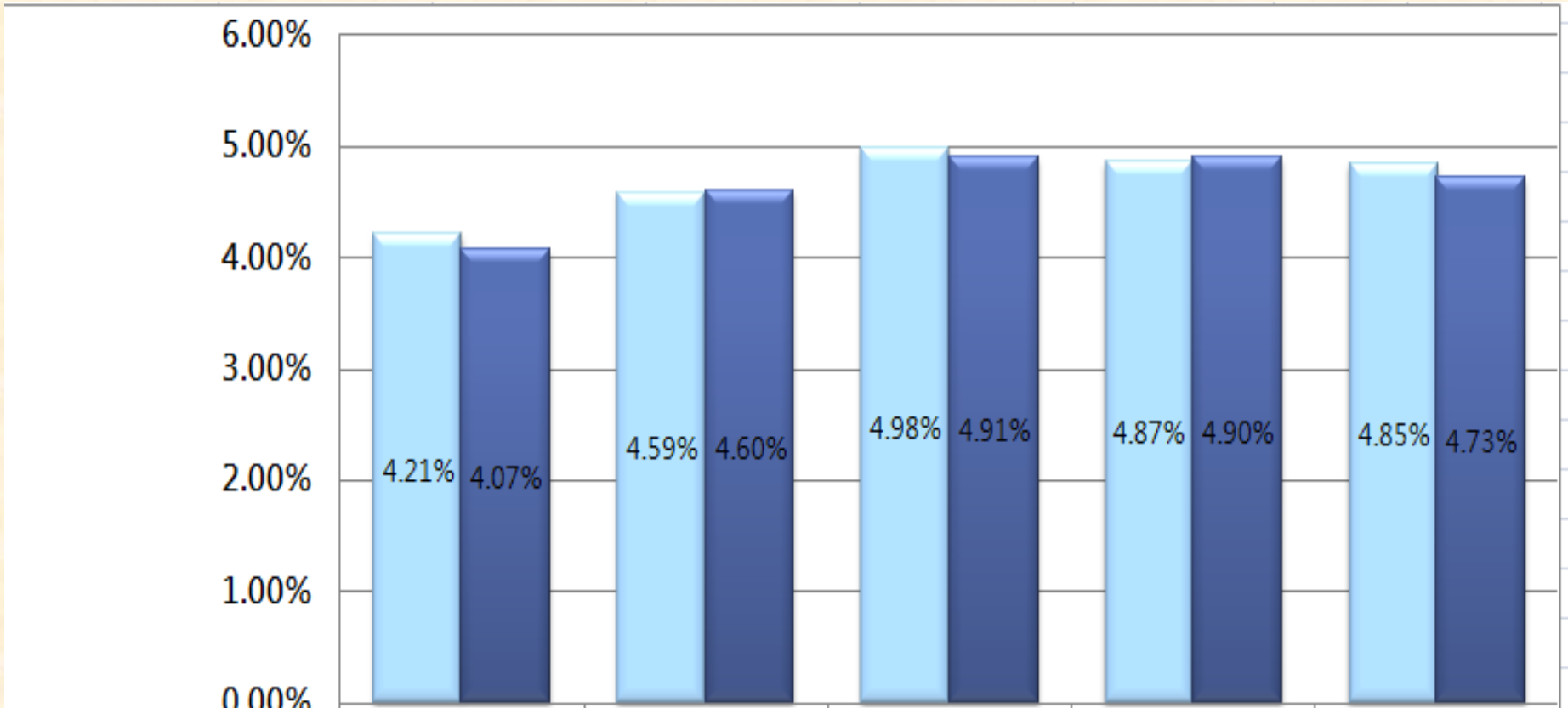
Business Content and Market Overview

HONG YI

- The company's main business is the manufacture and marketing of polyester DTY, accounting for 100% of the business.
- The DTY industry in Mainland China and Southeast Asian countries continue to expand their production capacity, and their production scale and quality are gradually increasing.
- The DTY industry in Taiwan is facing the case of low-cost dumping and participation in regional economic integration lagging behind, and this has led to the shift of orders. Therefore, the industry has gradually transformed in recent years, the overall output has decreased, and the development towards differentiated products has undergone structural changes.
- In addition to continuous improvement of product structure, the company has obtained Global Recycling Standard (GRS) certification since 2017 in response to the trend of the demand for environmentally-friendly DTY products.

Operations Overview –
Production and Sales Overview

HONG YI



	2015Y	2016Y	2017Y	2018Y	2019YQ1-3
production ratio %	4.21%	4.59%	4.98%	4.87%	4.85%
Sales ratio %	4.07%	4.60%	4.91%	4.90%	4.73%

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

Financial Overview -
Results of Business

HONG YI

Unit: NT$ thousands

Year / Item	2014Y	2015Y	2016Y	2017Y	2018Y	2019Y Q1-Q3
Operating revenue	2,119,911	1,981,644	1,973,843	2,114,106	2,130,850	1,460,273
Gross profit	241,890	335,262	310,442	354,483	311,250	223,817
Gross margin	11.41%	16.92%	15.73%	16.77%	14.61%	15.33%
Operating income	150,987	220,986	186,186	231,682	186,226	130,049
Operating margin	7.12%	11.15%	9.43%	10.96%	8.74%	8.91%
Net income	173,731	370,781	199,508	215,627	194,916	138,013
EPS (NTD)	1.31	2.80	1.50	1.63	1.47	1.04

Remarks :
Consolidated financial reports were prepared from the third quarter of 2016.

Financial Overview -

Key Financial Performance Pointer

HONG YI

Item \ Year	2014Y	2015Y	2016Y	2017Y	2018Y	2019Y Q1-Q3
Debt ratio (%)	8.55	9.33	8.80	8.70	10.02	6.64
Current ratio (%)	987.17	803.00	987.61	960.26	809.97	1,414.93
Property, plant and equipment turnover (times)	4.05	3.19	3.03	2.99	2.83	2.72
Return on equity (%)	8.11	15.98	8.19	8.84	7.85	5.56
Net income ratio(%)	8.20	18.71	10.11	10.20	9.15	9.45
Cash flow ratio (%)	12.57	212.35	192.82	49.33	177.76	116.62

Remarks:
Consolidated financial reports were prepared from the third quarter of 2016.

Financial Overview – Dividend Policy

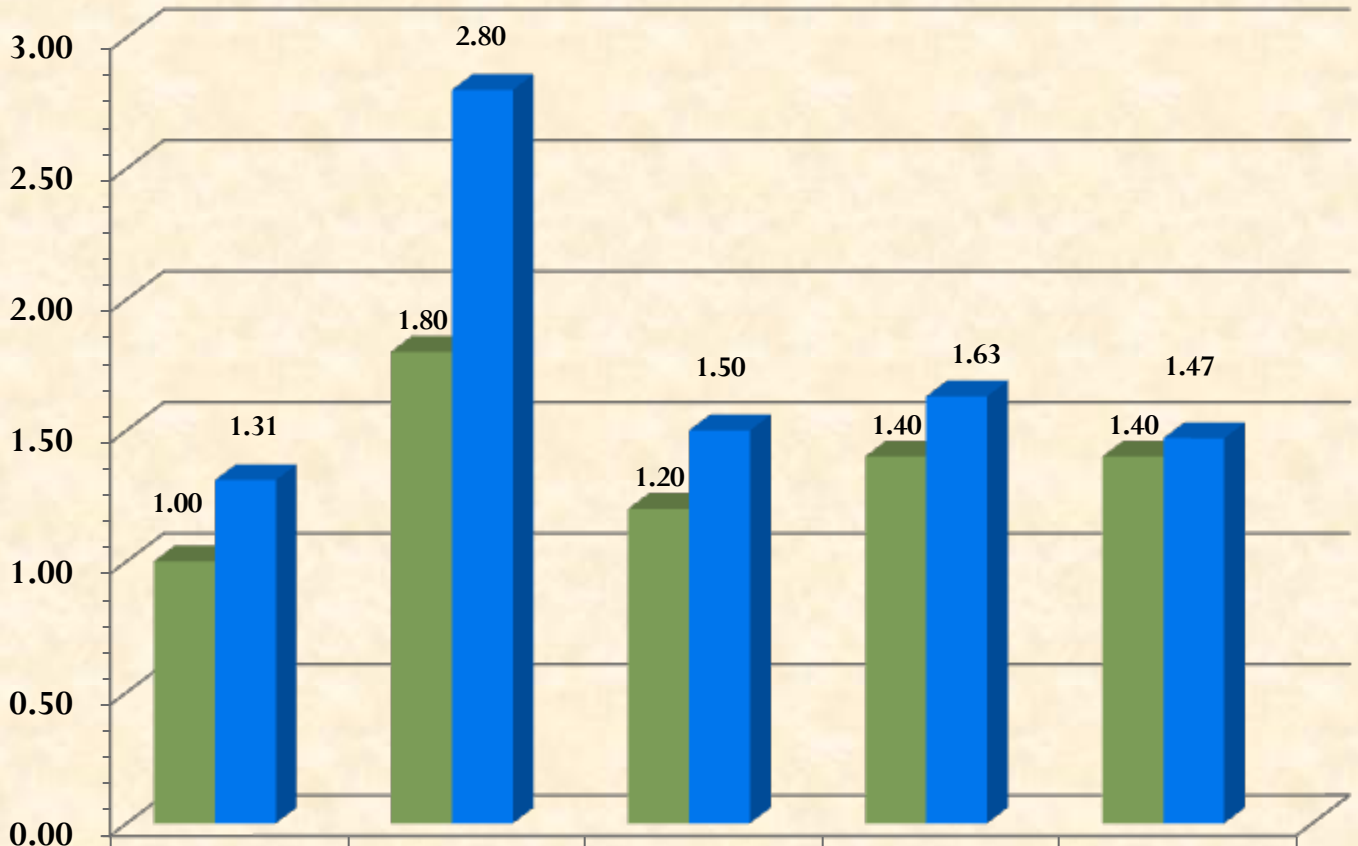
HONG YI

- When the company has earnings at the end of the fiscal year, after paying all relevant taxes, making up losses of previous year, the company shall set aside 10% of said earnings as legal reserve, except that such legal reserve amounts to the total paid-in capital. Thereafter, the company shall set aside or reverse a special reserve in accordance with the applicable laws and regulations. The remainder plus adjustments of retained earnings, which is available for distribution of current year together with unappropriated of previous years, shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

- The company's industrial environment is changeable. In response to changes in the economy and the market, it is necessary to continuously increase capital expenditures and consider future capital needs. When distributing shareholders' dividend, which is not less than 30% of earnings available for distribution of current year, the cash dividend is not less than 10% of the shareholders' dividend distributed in the same year.

Financial Overview -
Dividend Distribution

HONG YI

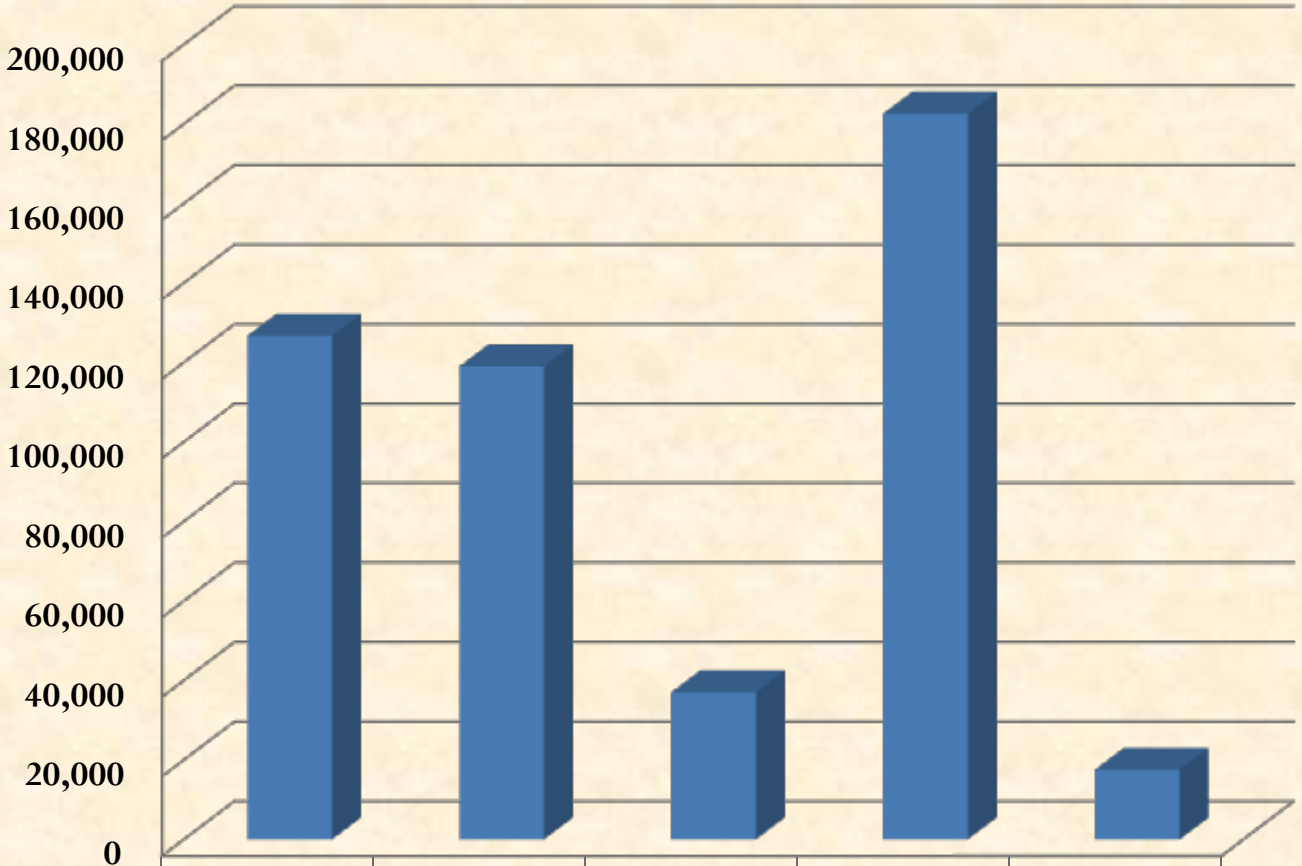


	2014Y	2015Y	2016Y	2017Y	2018Y
Cash Dividend(NTD)	1.00	1.80	1.20	1.40	1.40
EPS (NTD)	1.31	2.80	1.50	1.63	1.47
Earning Distribution Rate	76.34%	64.29%	80.00%	85.89%	95.24%

Financial Overview - Capital Expenditure

HONG YI

Unit : NT$ thousands



	2014Y	2015Y	2016Y	2017Y	2018Y
Property,Plant and Equipment	126,730	118,995	36,983	182,565	17,528

Outlook -
Operational Strategy

HONG YI

Short-term

- Product Development
  Yarn Machine Modification
  Qualtiy Management
- Partnership Tactic
  Developing Customized Products
- Increasing Market Share
  Manufacture Improvement

Long-term

- Technique Intergration with Upstream factory
- Developing Recycle Concept Products
- Functional Product Demand Cooperating Research Formulating & Results of development Marketing Strategies

Outlook -

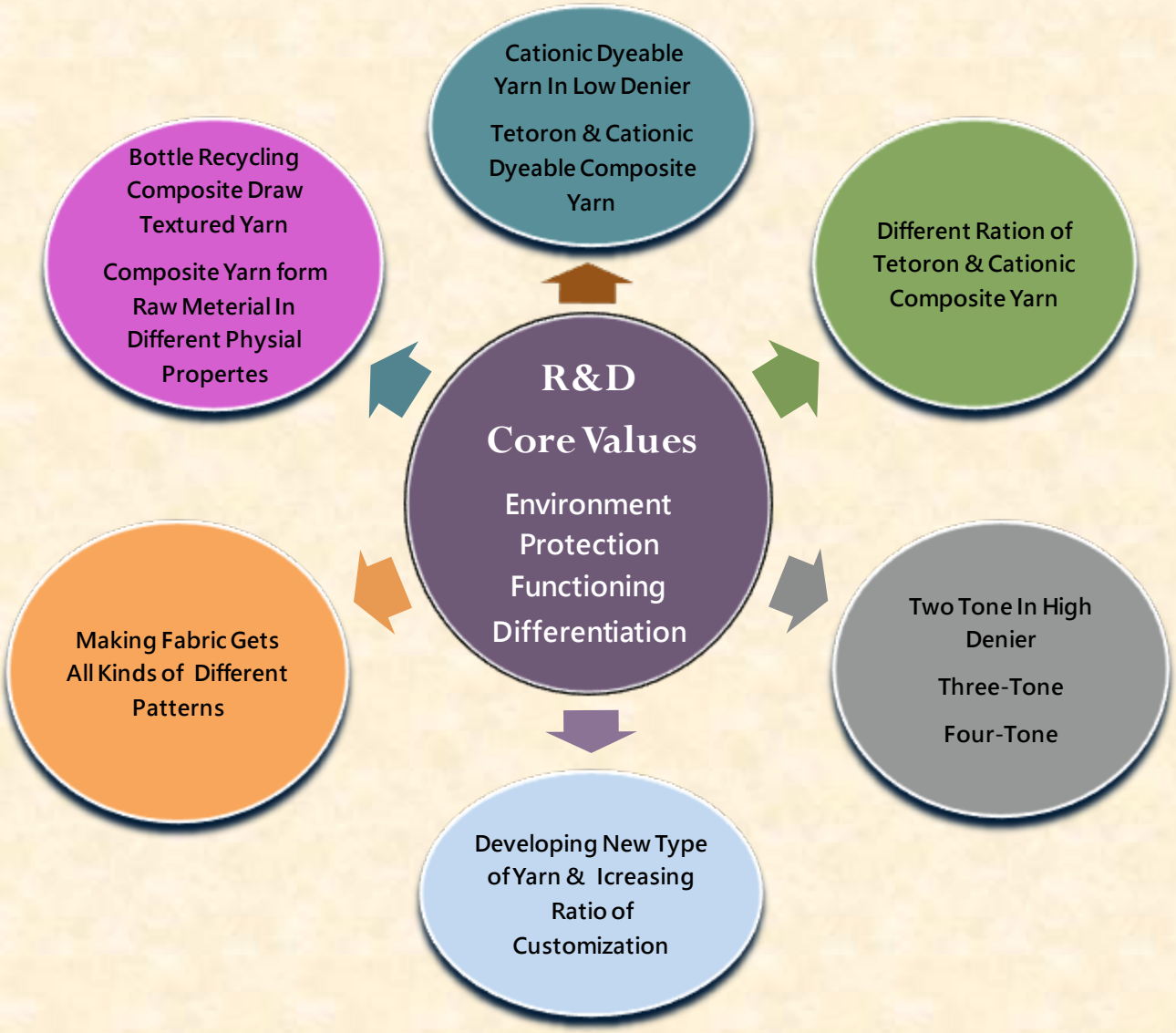
Opportunities, Challenges and Competitive Advantages

HONG YI

Opportunity	Challenge	Competitive Advantage
• Upstream and downstream strategic alliances, cross-domain technology, and the development of high value-added products. • Acquired the GRS Global Recycling Standard, which meets environmental, health and safety regulations. • Technological advancement, process improvement, productivity improvements and provide multiple options.	• The cheap labor and textiles in emerging textile countries in Southeast Asia have the advantages of larger quantity and lower price, and the price competition pressure is high. • Regional economic integration is frequent, and the export competition is facing challenges. • The local textile downstream supply chain moved outward, and the textile industry chain shrank. • Youngster human resources fault, lack of basic labor.	• A small number of customizations, product differentiation, unique technologies and market access. • Transform into high value-added products. • Years of manufacturing experience and adherence to quality, providing customers with a good brand reputation and building a trusted partnership. • Capital market sounds and diverse financial tools, raising low-cost funds and strengthening financial structures.

Outlook -
R&D Project Strategy

HONG YI



THANK YOU !

Q&A

Hong Yi Fiber Ind. Co., Ltd.
TEL : +886-2-25521191
FAX : +886-2-25523610
E-MAIL:service@hongyilon.com.tw
WEBSITE:http://www.hongyilon.com.tw

HONG YI