



宏 益 龍

HONG YI FIBER IND. CO., LTD

2021 Investor Conference

November 18, 2021

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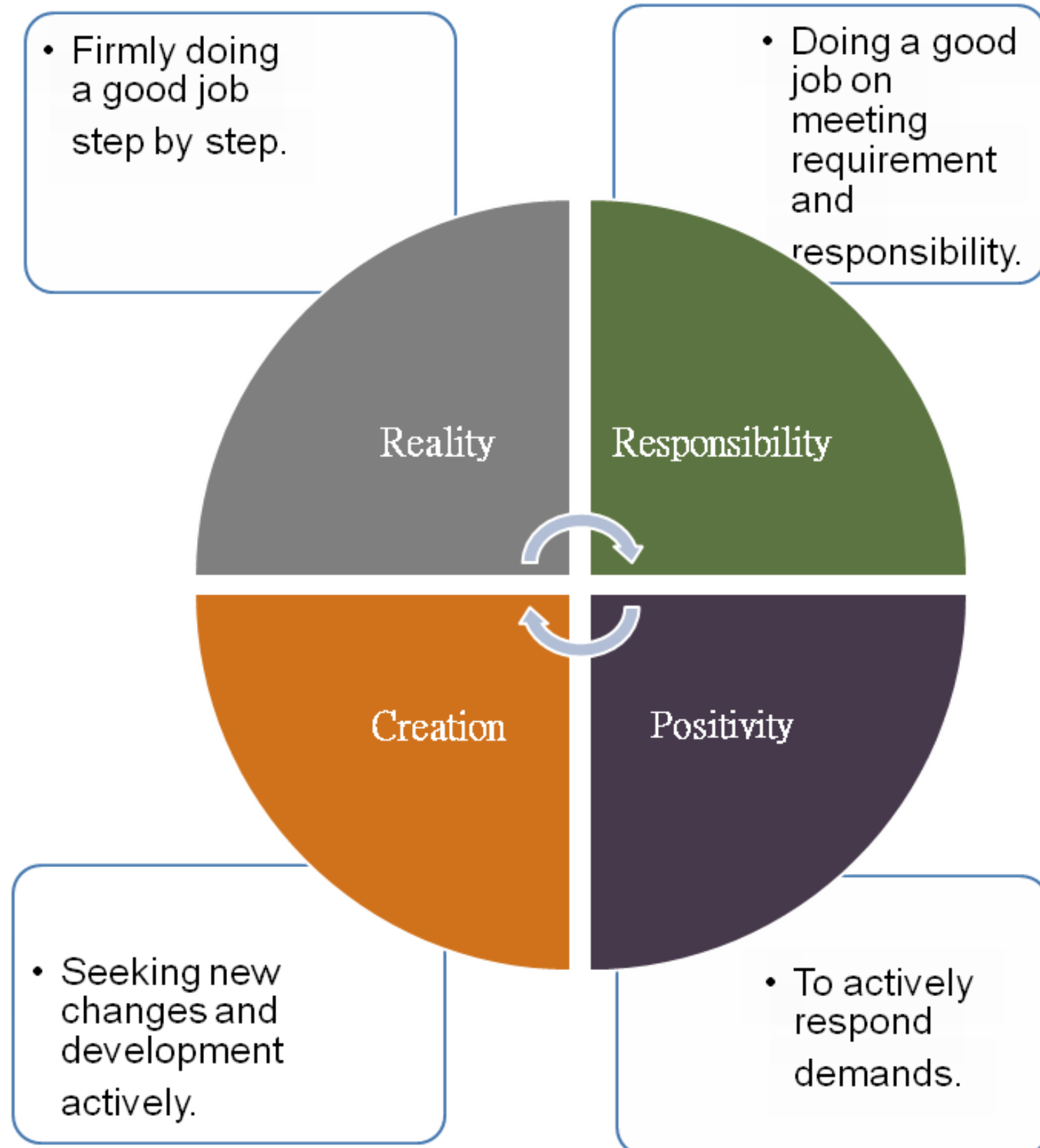
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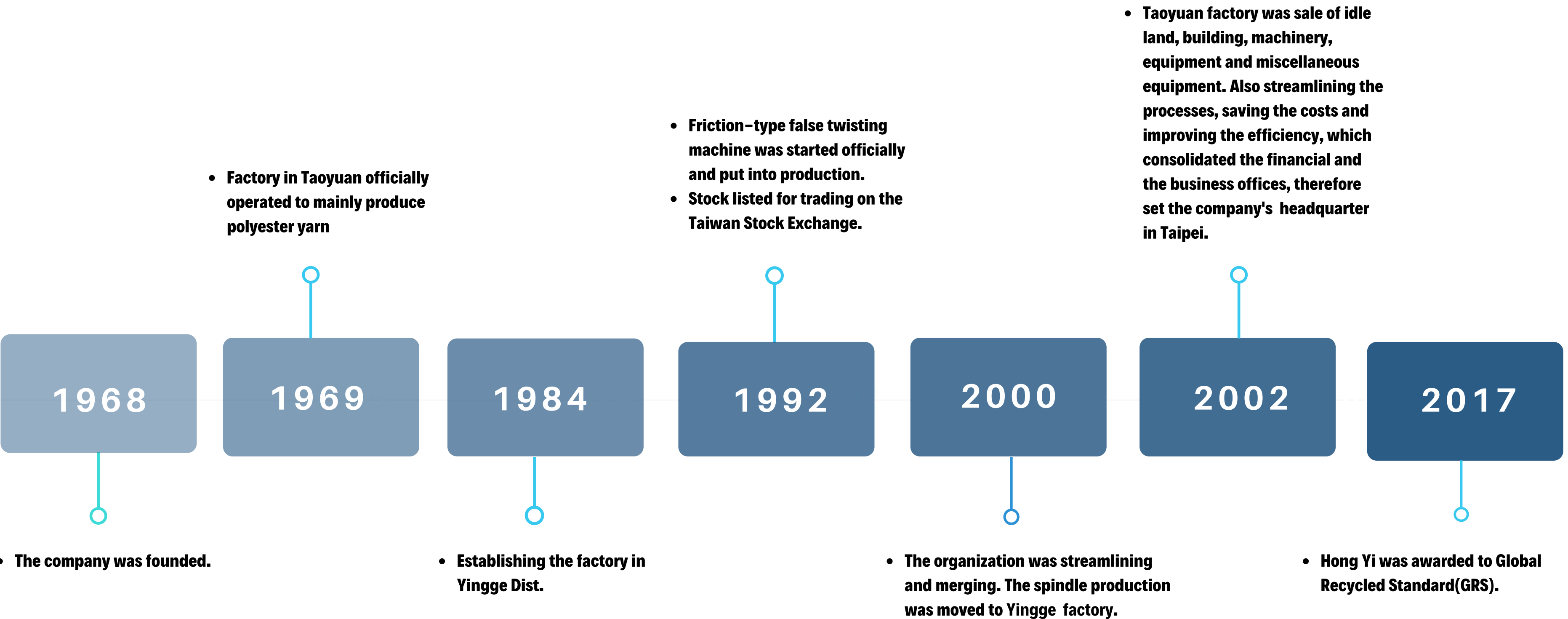
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| | |
|------------------------------|--|
| Date of establishment | August 23, 1968 |
| Registered capital | NTD 1.326 Billion |
| Chairman | Mr. Shi, Zhen-Rong |
| Employees | 237 Employees (October 31, 2021) |
| Main product | Polyester-Made Draw Textured Yarn (DTY) |
| Date of listing | Listed on TWSE on December 28, 1992 (1452-TW) |





HONG YI FIBER IND. CO., LTD

Company Profile – Products

✓ Products

Polyester Draw-Texture Yarn (DTY)

- Standard Yarn
- TCD Complex Yarn
- Environment-Friendly 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%
- Colorful 3 Tone Yarn
- Thick &Thin Yarn
- Bio-Shrinkage Yarn
- Super-Elastic Yarn
- All Kinds of Re-cycled Yarn
- All Kinds of Special Yarn

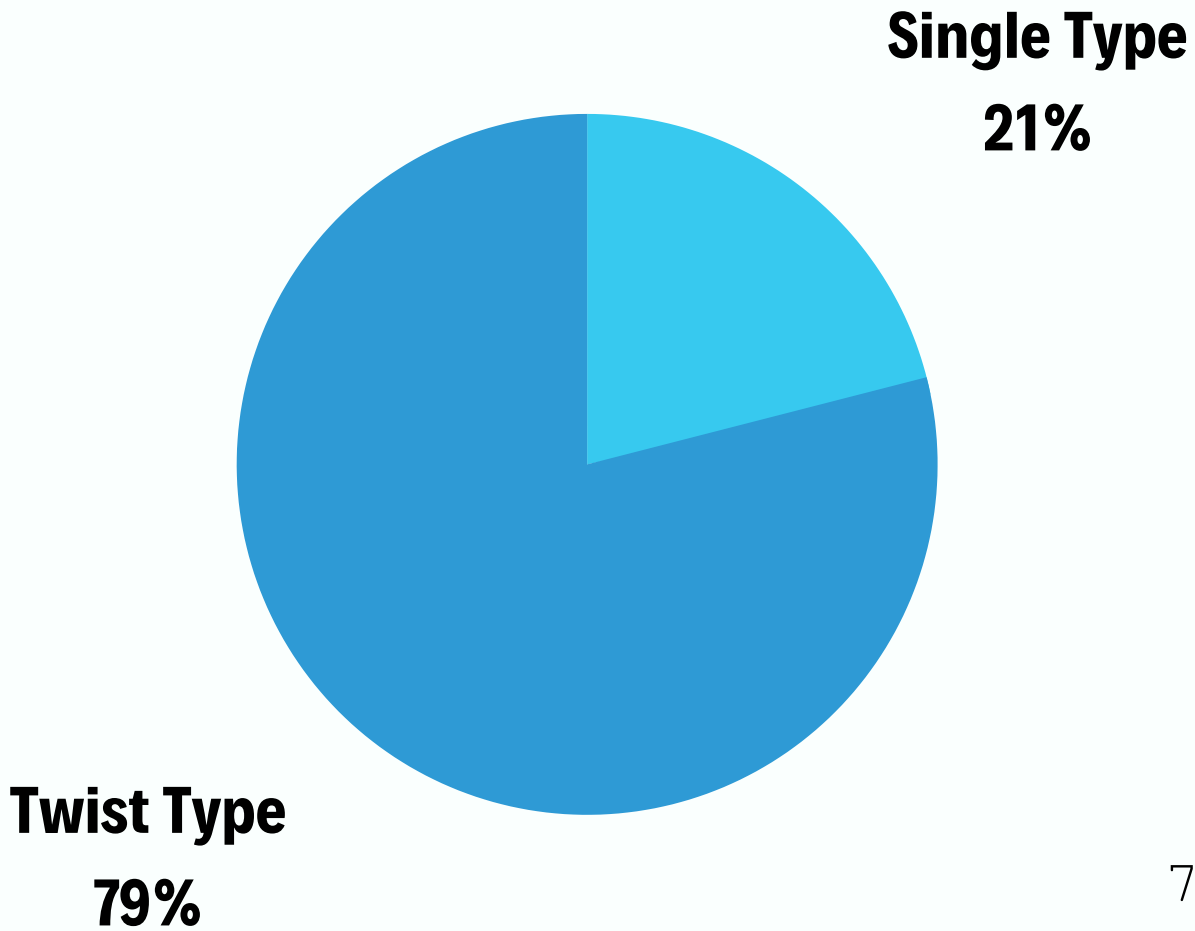


Company Profile- Equipment



2021 Equipment

| Twist Type | Single Type |
|--------------------------------------|-------------|
| 27 SETS (16 for automatic doffer) | 7 SETS |





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Global Recycled Standard

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



Industry Overview – 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

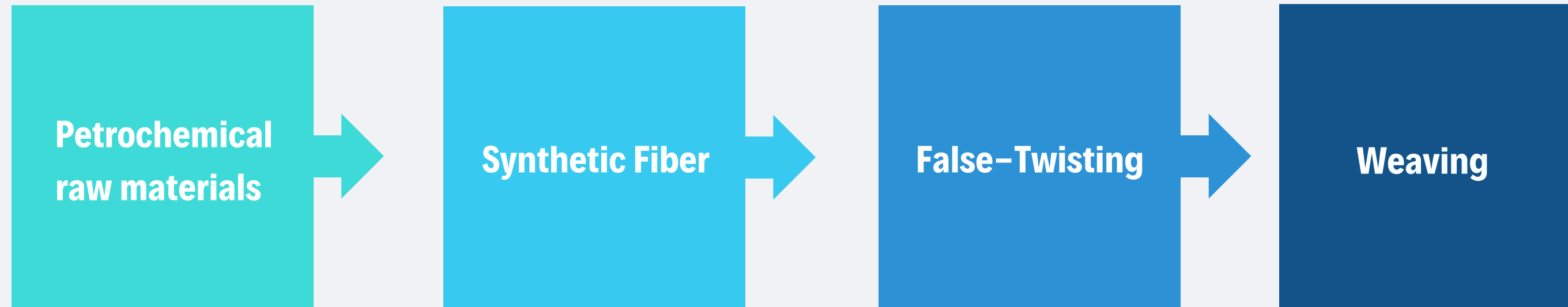
Man-made fibers and DTY industry use artificial methods to produce stable, inexpensive and natural fiber-like materials. After special processing, the finished fabric can increase the comfort and beauty when worn.

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.



Industry Overview – Textile Industry Chain

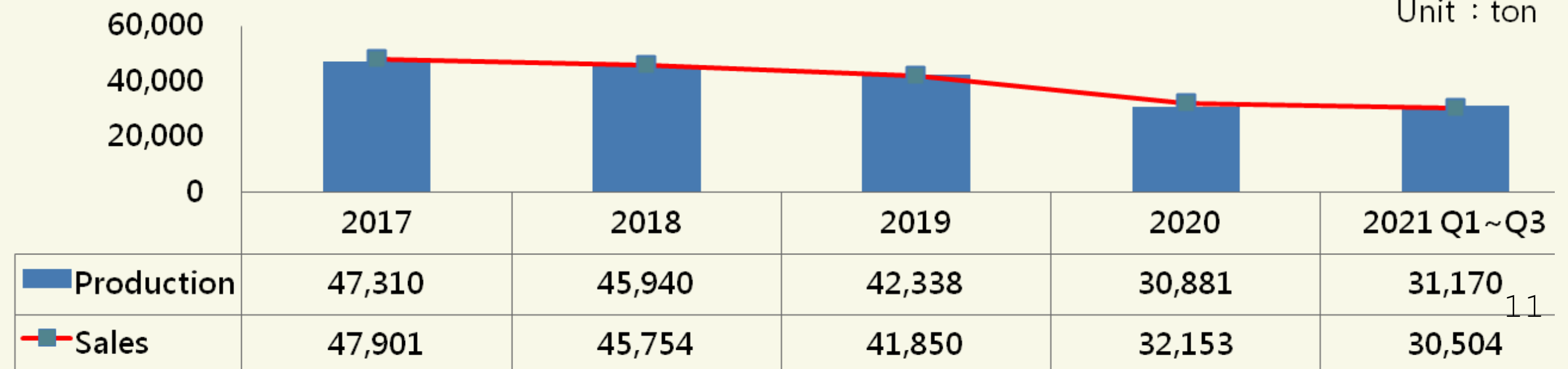


Industry Overview – Industry Status

- With the rise of online shopping and fast fashion markets, product life cycles have shortened, and urgent orders have become a trend. In addition to low visibility of orders, the pressure on inventory and R&D has greatly increased.
- Low price competition in emerging markets, and the rise of global protectionism, the major orders are mostly transferred to China or Southeast Asia. Therefore, manufacturers in Taiwan are gradually turning to overseas.
- Taiwan’s textile industry is committed to transform and develop differentiated products with a small quantity, diverse and special specifications, and seizes the market for high value-added products.

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

Unit : ton



Remarks: According to the production and sales data published by TMMFA.

Beyond Your Imagination

時尚 機能 環保

Fashion.Function.Environmental Protection



Industry Overview – Development Trends and Competition Situation

- With the trend of sports and leisure in the world, in addition to maintaining comfort, health, durability and design, textiles also add functional protection and innovation. Therefore, the demand for special specifications of silk like products such as thin-denier, high-filament, quick drying and anti-bacteria are increasing.
- Facing the era of circular economy, the textile industry continues to develop environmentally-friendly and functional products. This era endows textiles with new missions, and advances the environmental friendliness, green manufacturing processes and social responsibility.
- Under the trend of major competing countries participating in regional integration and enjoying preferential tariff treatment. Therefore, Taiwan can only effectively use its resources and create a competitive advantage with a close industrial chain cooperation.
- The variability of COVID-19 pandemic has forced companies to diversify production bases and reduce the risk of inability to produce due to pandemic. However, the extent to which Taiwan will benefit remains to be observed.

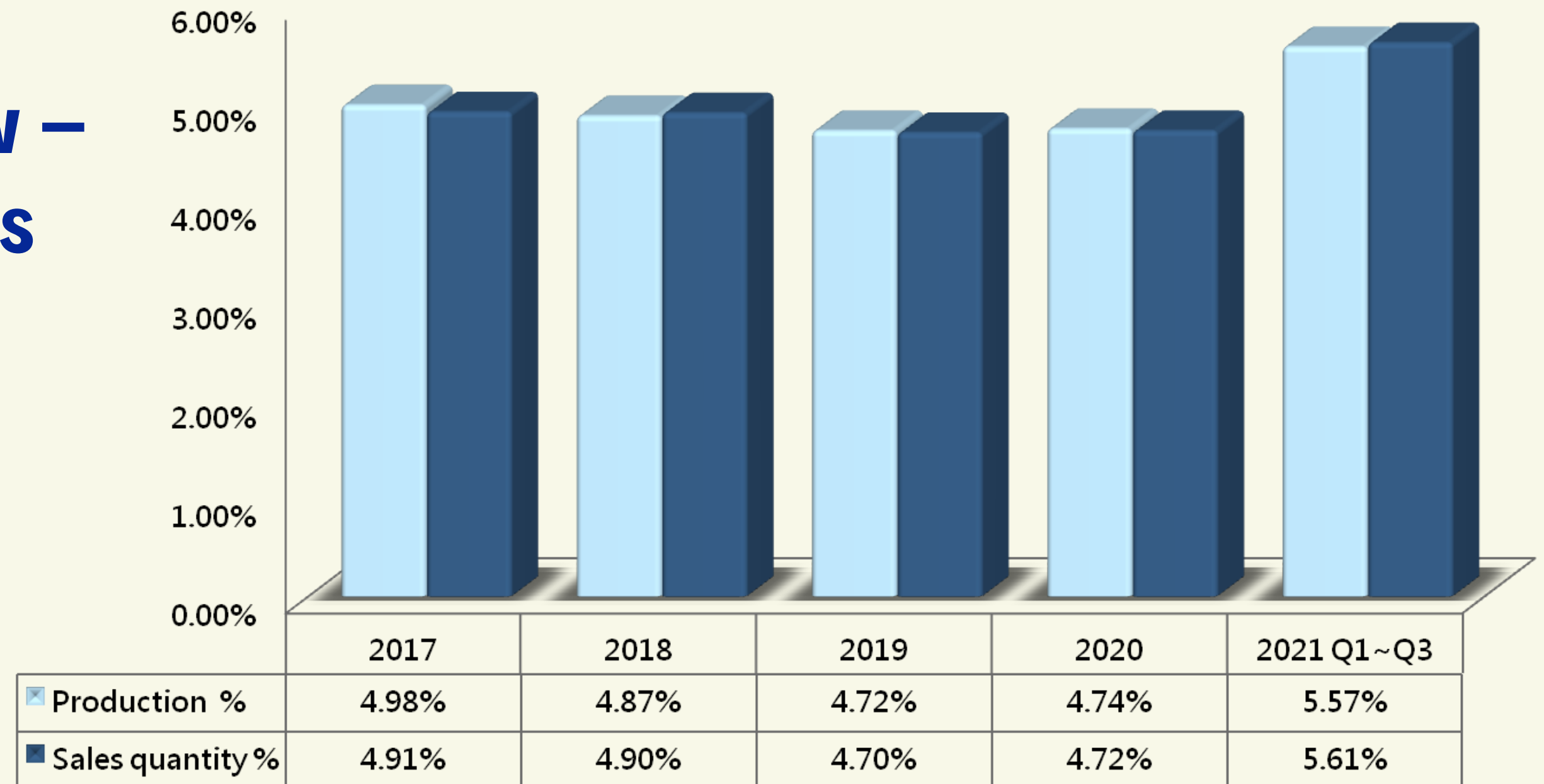
Operations Overview – Business Content and Market Overview



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- **The company's main business is the manufacture and marketing of polyester DTY, accounting for 100% of the business.**
- **The proportion of twin-type false twisting machine is high, and the manufacturing process is continuously optimized, focusing on niche products, such as customization and composite yarn.**
- **In response to the development trend of environmentally-friendly textile fiber products, the company awarded GRS (Global Recycled Standard) certification since 2017, and the sales proportion of environmentally friendly products have increased year by year.**
- **In 2021, the pandemic in Europe and the United States has slowed down, and the global apparel order situation gradually recovered. Nevertheless, Southeast Asia suspended work due to the rapid rise of the pandemic, some orders were transferred to Taiwan, and the domestic textile industry orders significantly recovered.**

Operations Overview – Production and Sales Overview





Financial Overview – Results of Business

Unit: NTD thousands

| Year Item | 2017 | 2018 | 2019 | 2020 | 2021 Q1~Q3 |
|-------------------|-----------|-----------|-----------|-----------|---------------|
| Operating revenue | 2,114,106 | 2,130,850 | 1,918,138 | 1,271,905 | 1,505,093 |
| Gross profit | 354,483 | 311,250 | 301,326 | 147,884 | 276,106 |
| Gross margin | 16.77% | 14.61% | 15.71% | 11.63% | 18.34% |
| Operating income | 231,682 | 186,226 | 175,063 | 41,448 | 171,116 |
| Operating margin | 10.96% | 8.74% | 9.13% | 3.26% | 11.37% |
| Net income | 215,627 | 194,916 | 176,038 | 97,497 | 291,734 |
| EPS (NTD) | 1.63 | 1.47 | 1.33 | 0.74 | 2.20 |



Financial Overview-

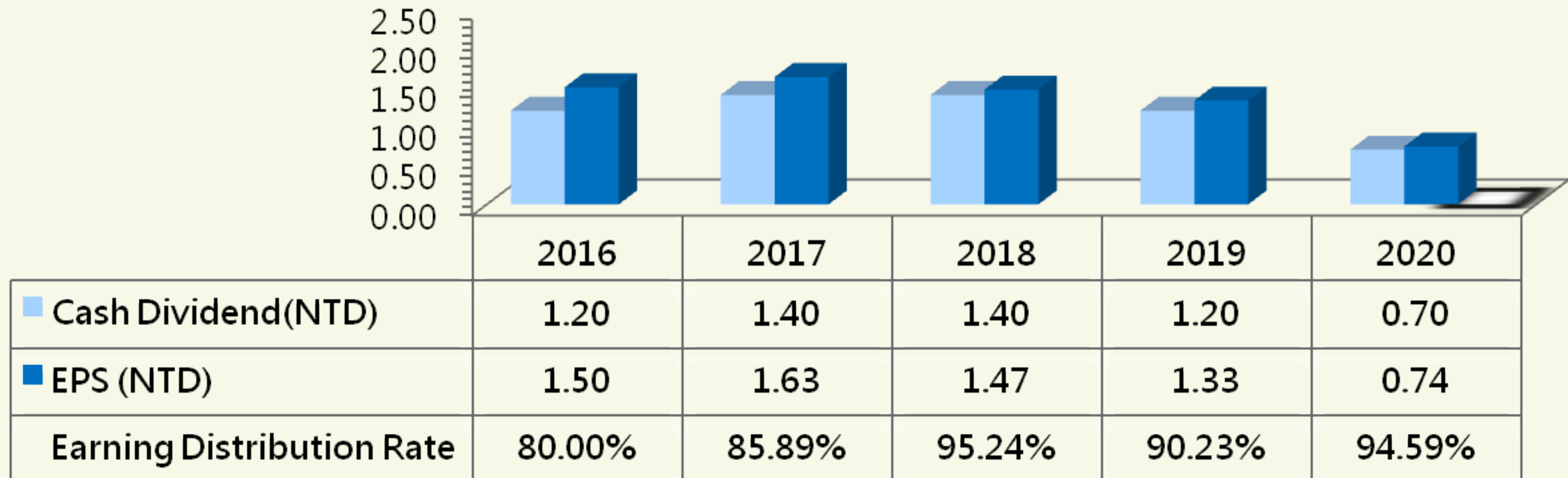
Key Financial Performance Indicator

| Item \ Year | 2017 | 2018 | 2019 | 2020 | 2021 Q1~Q3 |
|--|--------|--------|----------|----------|------------|
| Debt ratio (%) | 8.70 | 10.02 | 7.60 | 8.58 | 8.42 |
| Current ratio (%) | 960.26 | 809.97 | 1,198.86 | 1,040.82 | 1,082.76 |
| Property, plant and equipment turnover (times) | 2.99 | 2.83 | 2.70 | 1.93 | 3.28 |
| Return on equity (%) | 8.84 | 7.85 | 7.04 | 3.89 | 11.13 |
| Net profit margin (%) | 10.20 | 9.15 | 9.18 | 7.67 | 19.38 |
| Cash flow ratio (%) | 49.33 | 177.76 | 86.92 | 195.32 | — |



Financial Overview – Dividend Distribution and Dividend Policy

- 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 – Capital Expenditure

HONG YI FIBER IND. CO., LTD

Unit: NTD thousands

| Year | Amount | The Main Purchase Items |
|------------|---------|---|
| 2017 | 182,565 | False twisting machines, air compressors & ancillary equipments |
| 2018 | 17,528 | Factory air conditioning, soundproofing works & transportation equipments |
| 2019 | 13,222 | Air compressors & ancillary equipments |
| 2020 | 1,698 | Transportation & miscellaneous equipments |
| 2021 Q1~Q3 | 4,624 | Transportation & miscellaneous equipments |

Outlook – Operational Strategy

Short-term

- **Product development yarn machine modification**
- **Quality management**
- **Partnership tactic developing customized**
- **Increasing market share and manufacture improvement**

Long-term

- **Implement ESG and step forward to sustainable development**
- **Technique integration with upstream factories**
- **In response to functional product demand, cooperating with R&D and formulate marketing strategies**



Outlook– Opportunities & Challenges, Competitive Advantages

Opportunities

- Due to the pandemic of COVID-19 in Southeast Asia and electricity control policy in China, the textile factories decentralized their production bases , therefore Taiwan’s textile industry might be benefited.
- Environmental awareness is on the rise, the textiles are being developed of the recycled materials, non-toxic chemicals and other green materials, the environmentally friendly products have become the focus.
- Consumer’s demand extends to various aspects of life, and the market potential of functional products will be greatly increased.

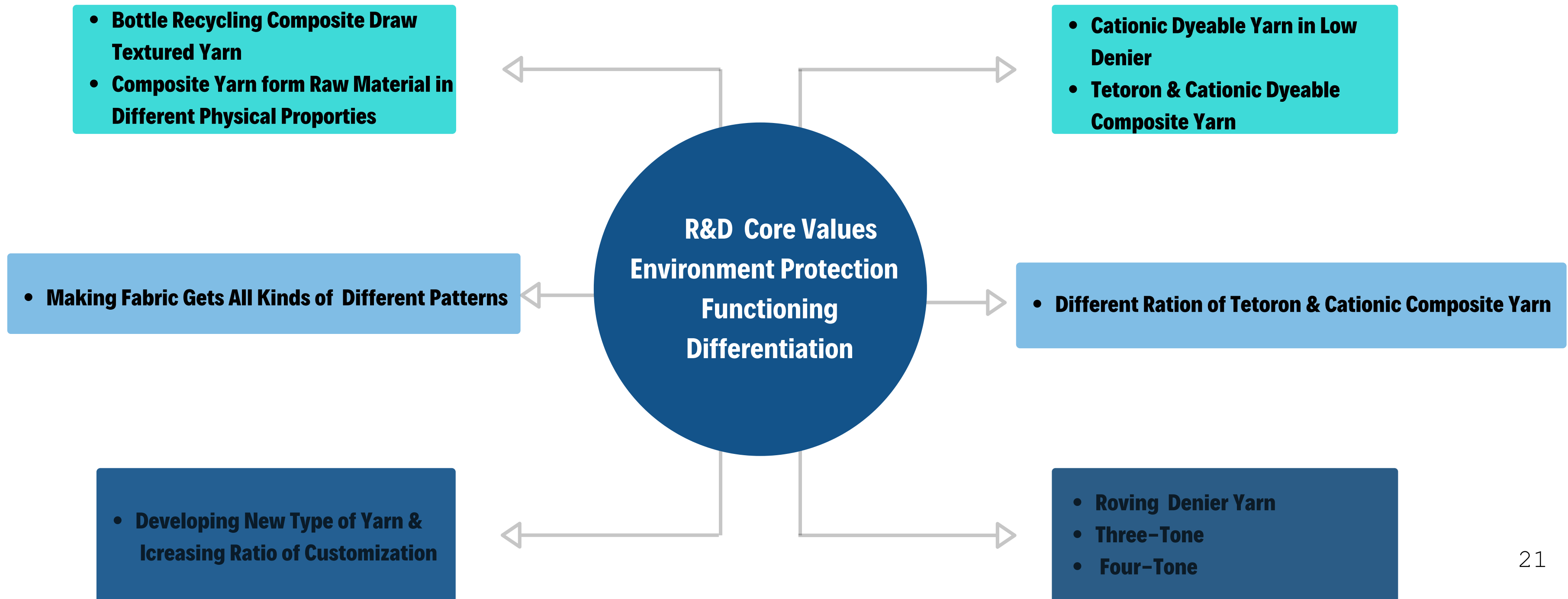
Challenges

- Under the influence of fast fashion and market orientation, delivery period is shortened. Also, stocking and inventory pressure are increased.
- The ageing of management talents and the continuous migration of the Taiwan’s textile industry chain have caused the industry to be hollowed out.
- With the rising costs and the threat of low-priced products in emerging countries, the competition of export sales has become increasingly difficult.

Competitive Advantages

- The overall textile industry structure is complete and mature.
- The proportion of twin-type false twisting machine is extremely high, and the raw materials are obtained from a wide range of sources, with the advantage of small quantity but diverse and flexible production.
- Awarded GRS (Global Recycled Standard) certification since 2017, the proportion of environmentally friendly products is increasing year by year.
- The financial structure is sound, and the cost of capital is low.

Outlook – R&D Project Strategy





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Thank you!

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