



HONG YI FIBER IND. CO., LTD

2022 Investor Conference

November 15, 2022

Disclaimer



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



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.



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HONG YI FIBER IND. CO., LTD

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Company Profile – About Hong Yi



HONG YI FIBER IND. CO., LTD

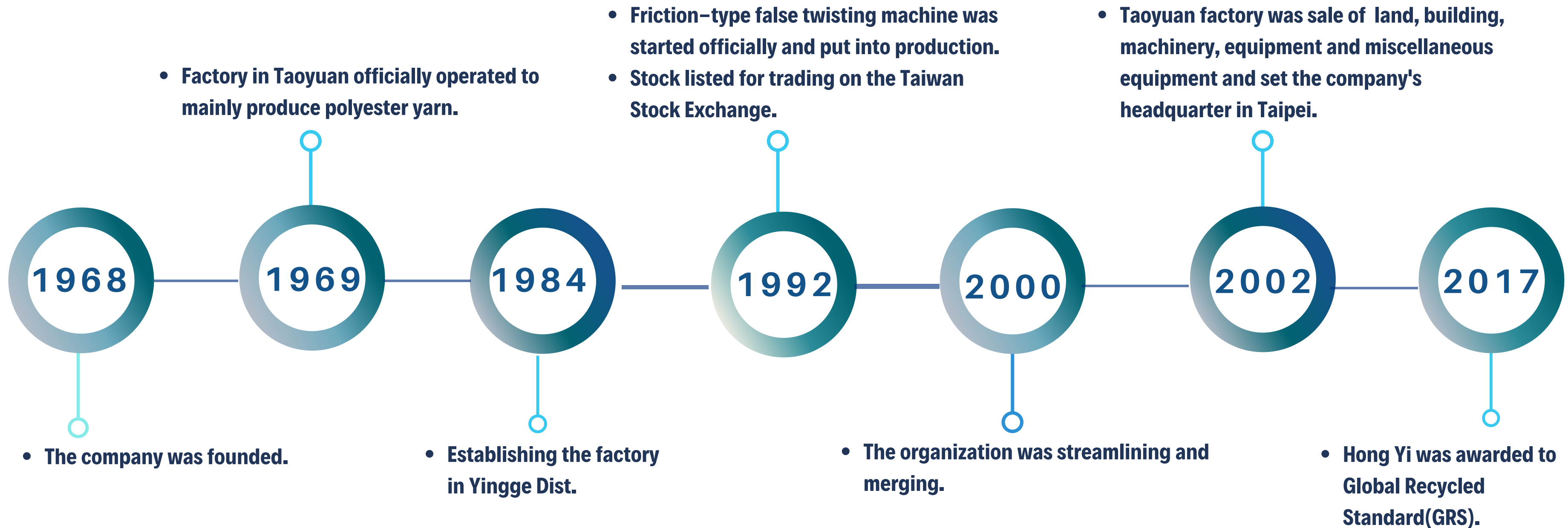


Date of establishment	August 23, 1968
Registered capital	NTD 1.326 Billion
Chairman	Chen–Jung Shih
Employees	233 (October 31, 2022)
Main product	Polyester–Made Draw Textured Yarn (DTY)
Date of listing	Listed on TWSE on December 28, 1992 (1452–TW)

Company Profile – History



HONG YI FIBER IND. CO., LTD





HONG YI FIBER IND. CO., LTD

Company Profile - Products

Products

Polyester Draw-Texture Yarn (DTY)

- Standard Yarn
- Environmentally-Friendly Yarn
- TCD Composite Yarn
- Functional Yarn

Application

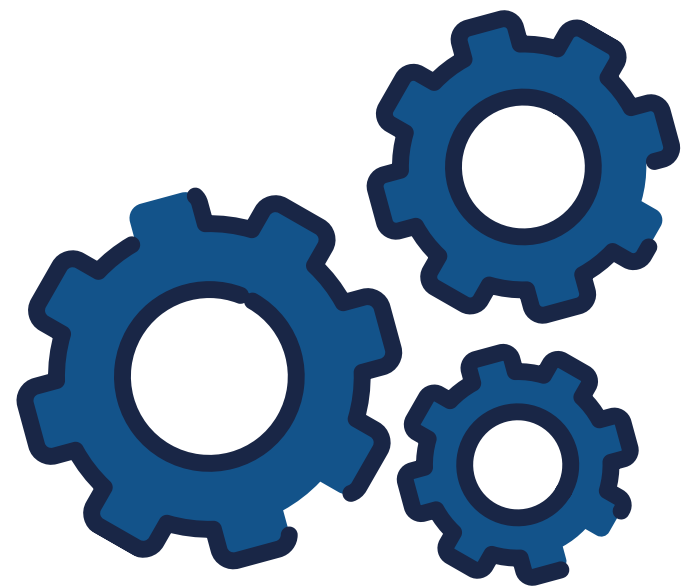
- Plain Woven
- Functional Fabric
- Knitting
- Home-Use Fabric
- Sport & Casual Wear
- Industrial-Use Fabric

Item

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



Company Profile - Equipment



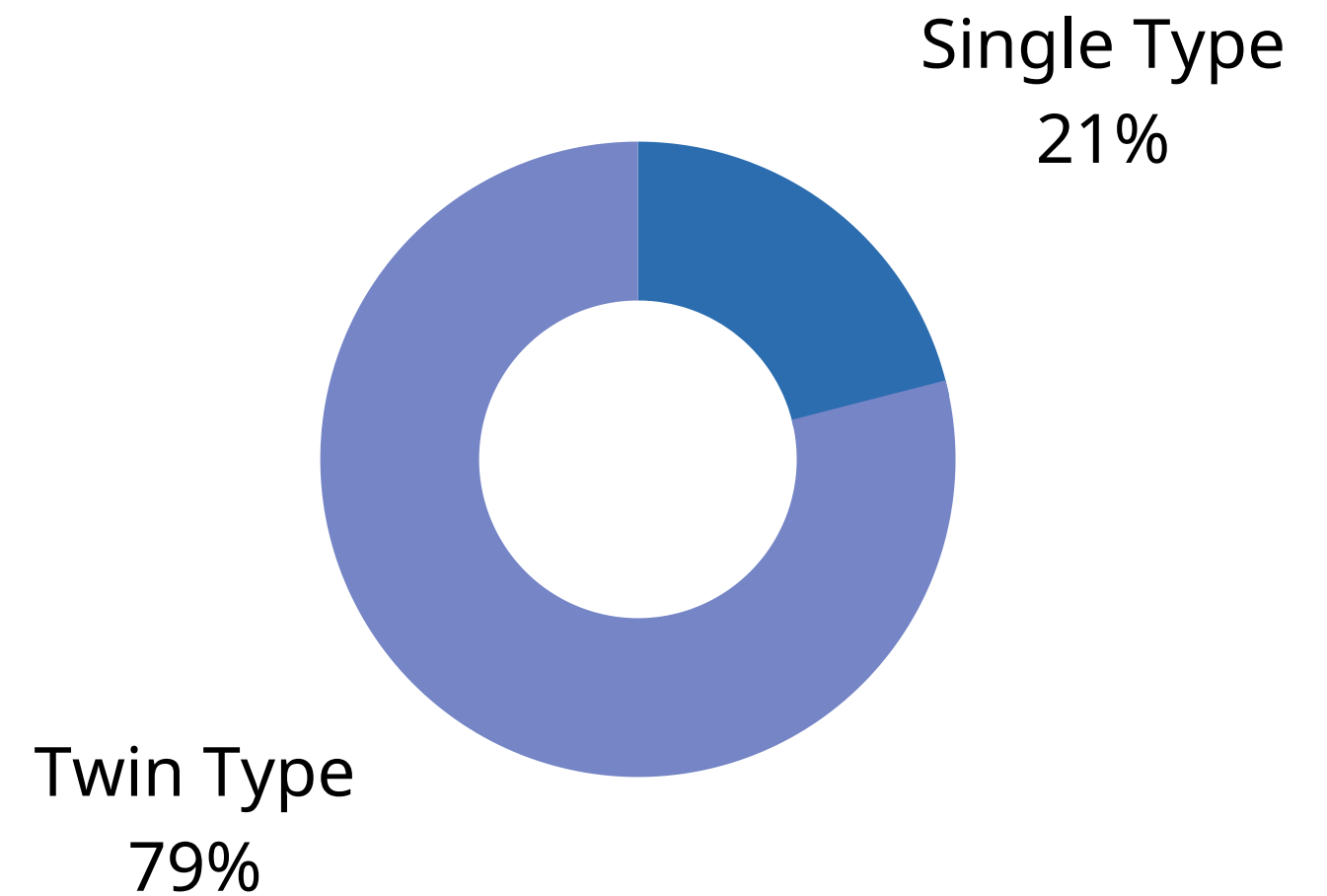
2022 Equipment

Twin Type

27 SETS
(16 for automatic doffer)

Single Type

7 SETS



Global Recycled Standard

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



全球回收標準GRS

Global Recycled Standard

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.

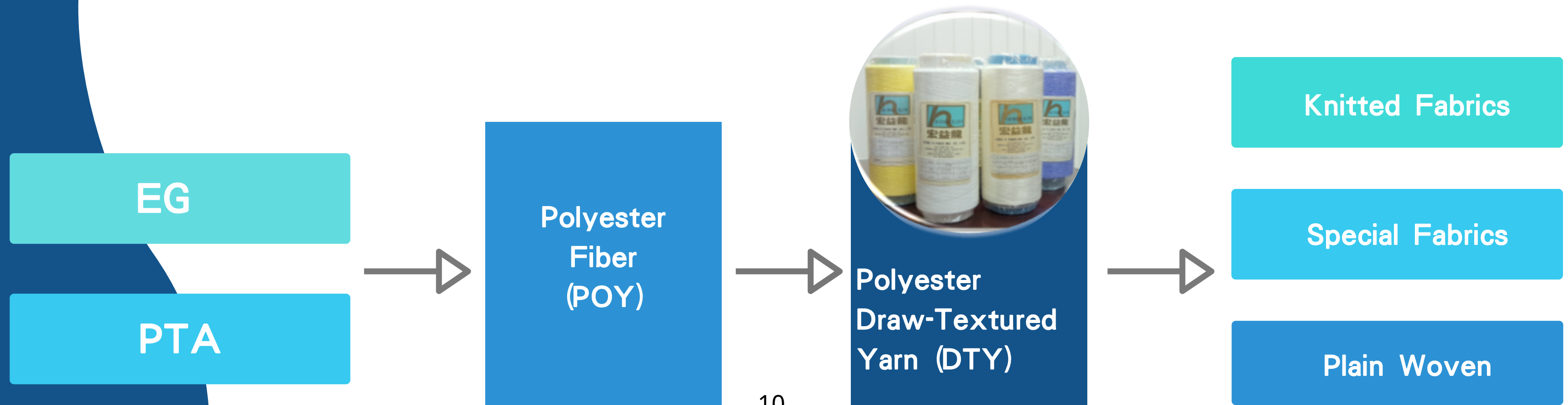
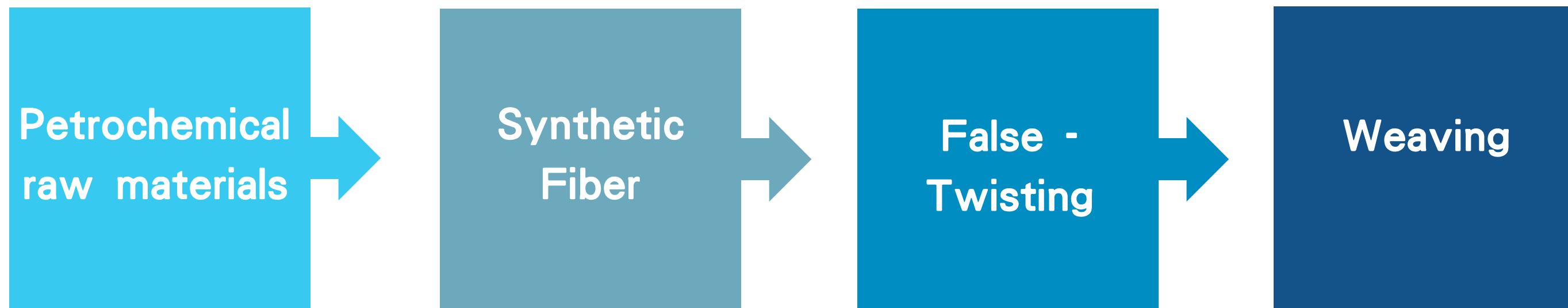
Midstream

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.

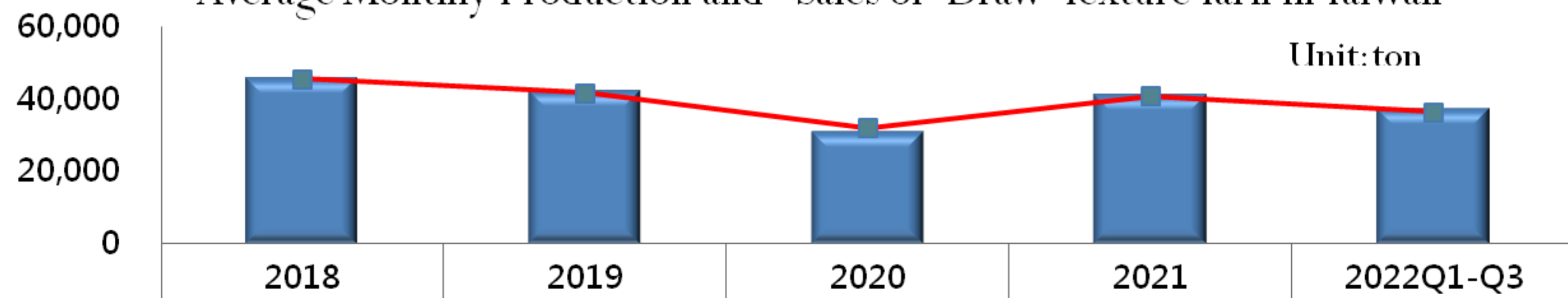
Industry Overview - Textile Industry Chain



Industry Overview - Industry Status

- Impacted by the COVID-19 pandemic and the trade war between the US and China, the global supply chain has been reorganized and production locations have been decentralized to enhance the flexibility of enterprises.
- Inflation continues to worsen, affecting the speed of clearing inventory in apparel factories and chain stores in various countries. This phenomenon seriously weakens the motivation of clients to place orders.
- Circular economy continues to be on the top of the agenda. Around the world, governments strive to fulfill their green commitment, and driven by the major brand manufacturers, low-carbon materials and recycled textiles have become the new favorites.

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



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



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Industry Overview - Development Trends and Competition Situation



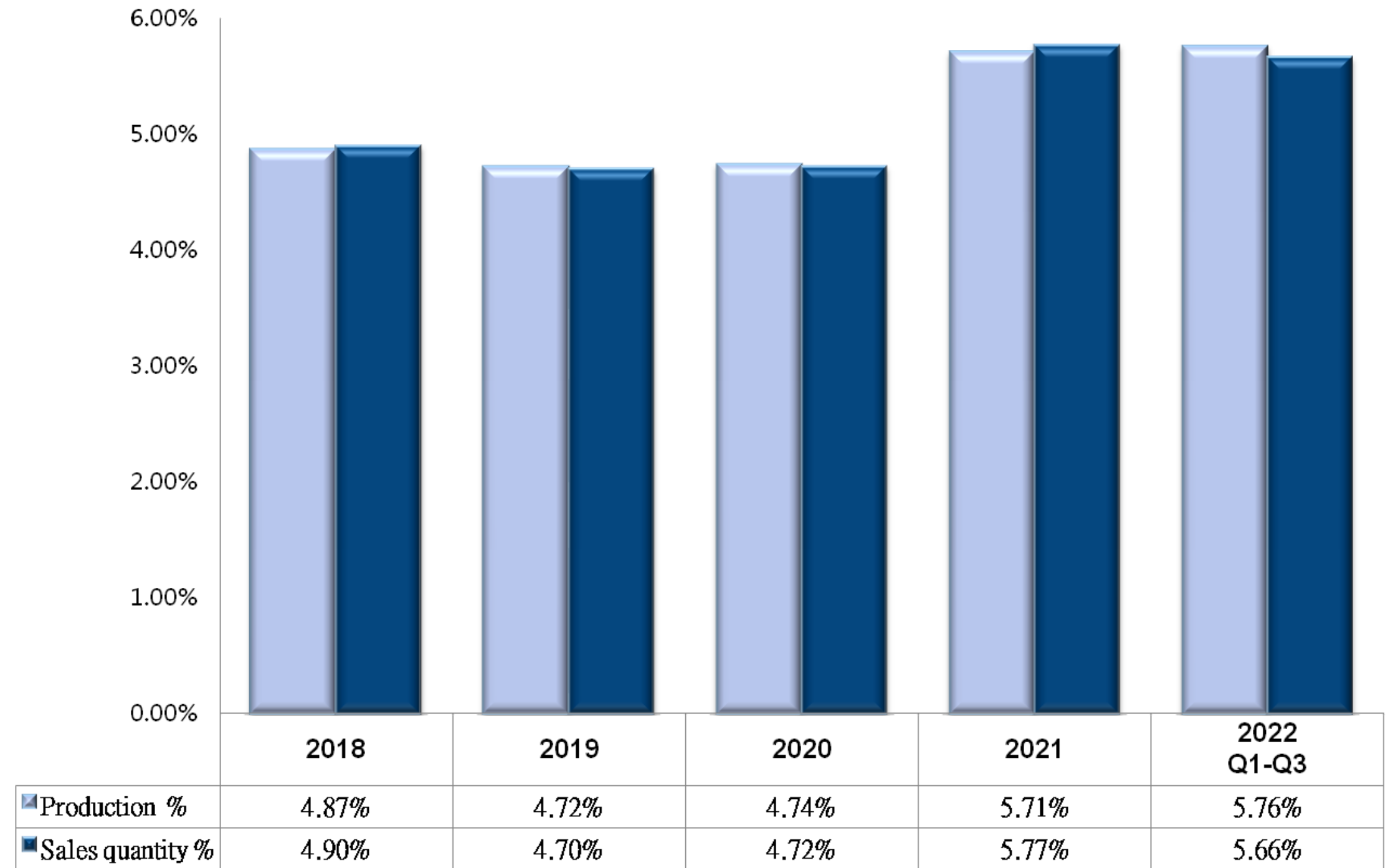
- As the COVID-19 pandemic subsides, outdoor activities and sports are on the rise, and consumers prefer to combine sports and work with daily lives. Therefore, the demand for high functioning fashion textiles which are comfortable, healthy, quick drying and anti-bacterial has increased.
- The crisis of global climate change is becoming more and more serious, and sustainable operation has been integrated into all aspects of the textile industry. The requirements and standards for eco-friendly yarns are gradually increasing, which has become an important development trend!
- The major competing countries actively participate in regional integration and are thus enjoying preferential tariff treatment. Taiwan can only effectively use its resources and create a competitive advantage under the condition that close cooperation among all links in the industrial chain take place.



Operation Overview - Business Content and Market Overview

- 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 Global Recycled Standard (GRS) certification since 2017, and the sales proportion of environmentally-friendly products have increased year by year.
- Negative factors such as inflation and the Russia–Ukraine War have weakened the general public's willingness to consume, and international apparel brands, with high inventory levels on hand, are actively clearing out their stocks and reducing the volume and speed of new orders. These factors all impose unfavorable impact on the results of new orders received by the textile industry.

Operation Overview- Production and Sales Overview



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



Financial Overview - Results of Business

Unit: NTD thousands

Item \ Year	2018	2019	2020	2021	2022 Q1-Q3
Operating revenue	2,130,850	1,918,138	1,271,905	2,097,672	1,428,858
Gross profit	311,250	301,326	147,884	376,333	199,336
Gross margin	14.61%	15.71%	11.63%	17.94%	13.95%
Operating income	186,226	175,063	41,448	234,579	110,084
Operating margin	8.74%	9.13%	3.26%	11.18%	7.70%
Net income	194,916	176,038	97,497	351,579	137,772
EPS (NTD)	1.47	1.33	0.74	2.65	1.04



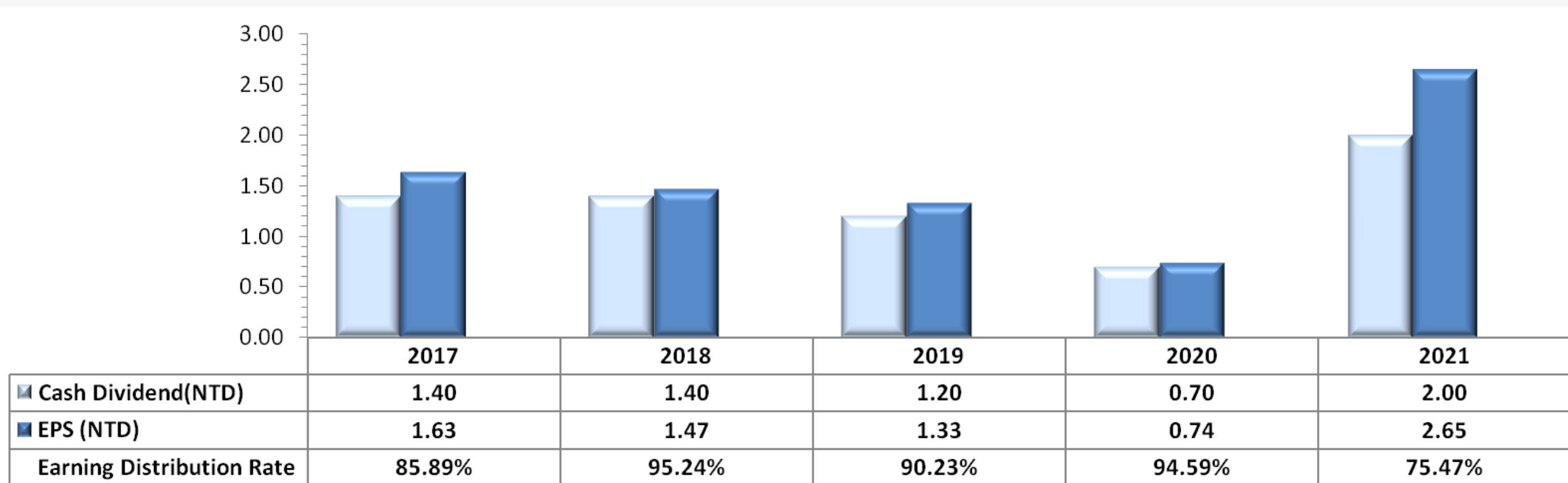
Financial Overview - Key Financial Performance Indicator

Item \ Year	2018	2019	2020	2021	2022 Q1-Q3
Debt ratio (%)	10.02	7.60	8.58	11.58	7.28
Current ratio (%)	809.97	1,198.86	1,040.82	734.81	1,353.77
Property, plant and equipment turnover (times)	2.83	2.70	1.93	3.46	3.39
Return on equity (%)	7.85	7.04	3.89	13.17	5.00
Net profit margin (%)	9.15	9.18	7.67	16.76	9.64
Cash flow ratio (%)	177.76	86.92	195.32	—	323.95



Financial Overview - Dividend Distribution and Dividend Policy

- In the event that the Company, according to the final settlement, earns profits in a fiscal year, such profits shall first be set aside to pay the applicable taxes, plus “adjustments other than net income for the current year, which must be added to the current year’s undistributed earnings”, and offset losses, set aside for 10% of legal reserve, unless the legal reserve has reached the Company’s total paid-up capital. The remainder, after setting aside or reversing the special reserve as required by law, is added with the adjustment to the retained earnings as the earnings available for distribution of the current year. Any further remaining profits plus accumulated undistributed earnings shall be distributed in accordance with the proposal submitted by the Board, for approval at a shareholders’ meeting.
- Where the Company distributes all or part of earnings, legal reserve and capital reserve in the form of cash, it shall authorize the Board of Directors with over two-thirds of the directors attending the meeting and conduct after approval of a majority of the directors attending the meeting, which shall be reported to the shareholders’ meeting.
- The Company is in a volatile industrial environment, and in response to changes in the economy and the market, capital expenditures must continue to increase. In consideration of future capital requirements, the distribution of dividends to shareholders should be no less than 30% of the earnings available for distribution of the current year, including a cash dividend of no less than 10% of the current year's total dividends, when the current period is resolved.



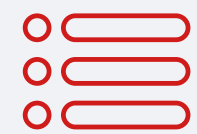


Financial Overview - Capital Expenditure

Unit: NTD thousands

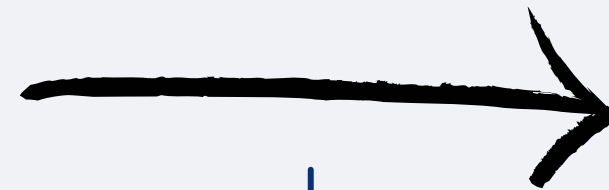
Year	Amount	The Main Purchase Items
2018	17,528	Factory air conditioning, soundproofing works & transportation equipments
2019	13,222	Air compressors & ancillary equipments
2020	1,698	Transportation & miscellaneous equipments
2021	5,457	Transportation & miscellaneous equipments
2022 Q1-Q3	2,721	Transportation & miscellaneous equipments

Outlook - Operational Strategy



Short-term

- Improvement of yarn machines and optimization of production process
- Customized order taking and production to respond quickly to market demand
- Increase the proportion of high-value functional products to create business opportunities
- Be on the lookout for the international industry trends and environmental regulations to be in line with the global trend



Long-term

- Refine techniques, cooperate with R&D and formulate marketing strategies
- Strengthen quality management and enhance brand image
- Expand sales market and develop new customer sources
- Be committed to carbon reduction and ESG policies to construct competitiveness in sustainable operation



Outlook - Opportunities & Challenges, Competitive Advantages



Opportunities

- Net-zero carbon emissions continue to be on the top of the agenda, and the core of the textile products is now "sustainable and low-carbon". Environmentally friendly products has become a textile trend.
- The increasing consumer demand for functional textiles and the impact of extreme climate have created a vast business opportunity for functional textiles in the market.
- Through complete and close cooperation in the industry value chain, the company is able to enhance the added value of our products and increase our differentiation from those of our competitors.



Challenges

- Disrupted by inflation, interest rate hikes and other factors, market demand is weak and order visibility is low.
- In response to the climate commitment target, the cost will increase in the future due to the purchase of green power, and the lack of preferential tariff in trade agreements will weaken the competitiveness of the textile products of Taiwan.
- Significant shortage of basic labor force and the continuous migration of the Taiwan's textile industry chain have caused the industry to be hollowed out.
- Under global competition, whether a company is able to respond swiftly to changes in market demand is a test of its resilience and capability.

- With a complete and mature production system, the textile industry in Taiwan has been actively developing new products and continuously upgrading production facilities in recent years. Functional textiles made in Taiwan have become one of the major sources of raw material supply for the Western consumer markets.
- The company obtained Global Recycled Standard (GRS) certification since 2017, and the environmentally friendly products are diverse and of consistent quality, which raise the threshold of competition.
- 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.
- The financial structure is sound, and the cost of capital is low.



Competitive Advantages

Outlook - R&D Project

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

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



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

- Different Patterns of Composite Yarn





R&D Core Values

- **Environment Friendly & Renewable**
- **Functionality**
- **Differentiation**

- Developing New Type of Yarn to Meet Demands

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

THANK YOU!

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