Victory New Materials Limited Company

Investor Presentation

December 2023

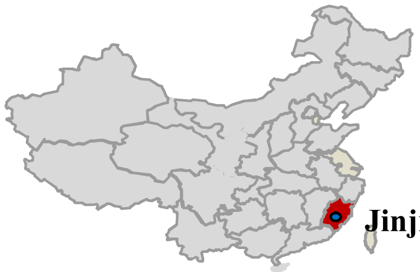
www.vnm.com.tw

Contents

Company Overview - Overview

Overview

- A leading researcher, manufacturer and distributor of innovative compound pellets and high quality soles used to manufacture athletic and leisure soles in China
- Found in 1997
- ~260 employees as of September 30, 2022
- One manufacturing factory and 12 production lines, with annual sales of 6.6 million pairs of soles and 1,300 tones of EVO compound pellets in 2022
- Headquarters and operations in Jinjiang, Fujian, PRC
  - ➢ Industry hub for sports footwear companies
  - ➢ Accounts for approximately 40% of China's annual sports footwear output



Strategic Location…

Most of our customers are either headquartered, or have manufacturing facilities in the Jinjiang region

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Lowers shipping and logistical costs

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Facilitates better customer services and after-sales support

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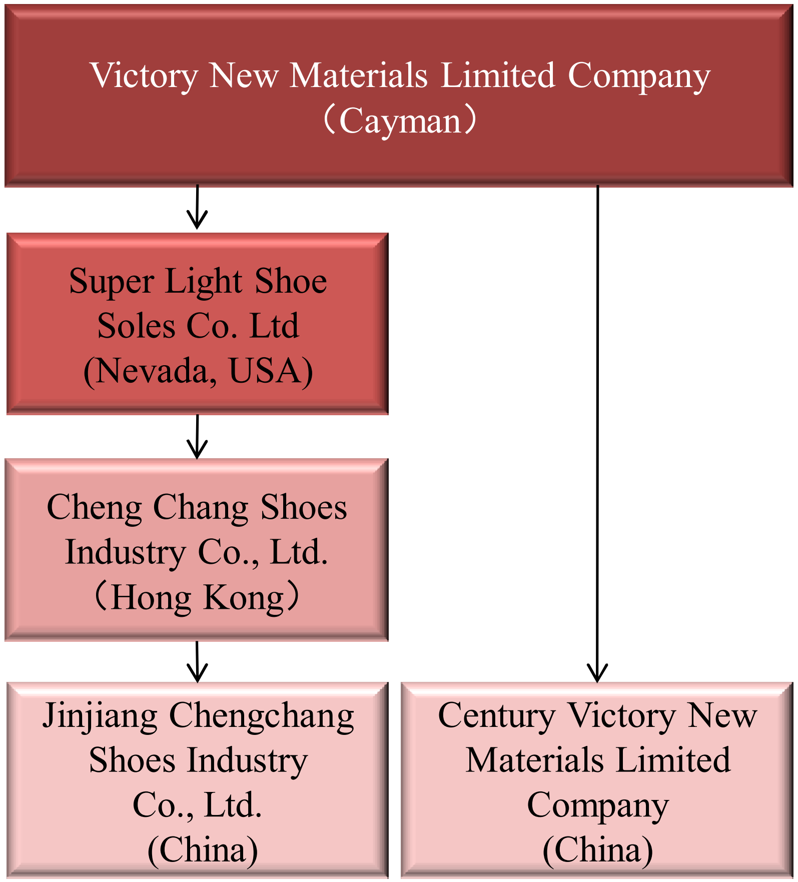
Better communication with clients and easier to keep abreast of latest market trend

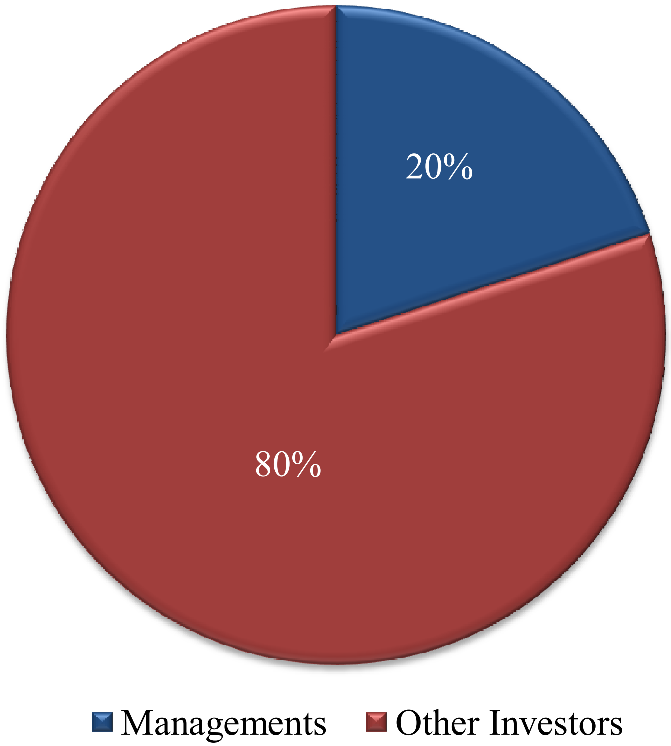
... Just-in-time deliveries

Company Overview – Company & Shareholder Structure

Corporate Structure



Shareholder Structure



Company Overview - Milestone

Year	Milestone
1997	• Jinjiang Chengchang Shoes Industry Co., Ltd. incorporated
1999	• Awarded ‘A’category enterprise by Jinjiang local tax bureau
2001	• ‘RUIDI’brand awarded gold prize at the Jinjiang International Shoes Fair
2009	• Received ISO9001 qualification certificate
2010	• Successfully developed EVO compound pellets and was well-received by the market • Received authorization letter from Adidas and Reebok • Received High-Tech Enterprise Certificate
2011	• Commenced mass production of single injection dual-color dual-hardness soles • Awarded ‘2010 – 2011 Innovative Supplier in China’s Brand City’
2012	• Awarded ‘Drafting unit of local standards for leisure shoe soles’ by Fujian Quality and Technical Supervision Bureau • Awarded ‘Leading Technology Enterprise in China Leather and Footwear Industry’
2013	• EVO received Excellent Patent Honor at the 2012 Jinjiang Science and Technology Award • Received orders of single injection dual-color dual-hardness products from prominent international brands – Merrell, FILA, PUMA
2021	• Commenced building new manufacturing centre in Jinjiang Cizhao County
2023	• Commercial buildings construction completed and leaased

Management Profiles

Name	Position	Profile
Mr.Zhuang Guoqing	Chairman, CEO	• Founder of our PRC operating subsidiary Jinjiang Chengchang Shoes Industry Co., Ltd. • Served as the Executive Director and General Manager of Jinjiang Chengchang Shoes Industry Co., Ltd. since its incorporation • Over 20 years extensive industry experience in the management role • Attended Executive Development Programs held by School of Management of Xiamen University • Served as the Vice Chairman of the Jinjiang Qingyang Chamber of Commerce since 2004
Mr. Zhuang Huihuang	Chief Operating Officer	• Served as the Vice President and COO of Jinjiang Chengchang shoes Industry Co., Ltd. Since 1997 • Under his leadership, Jinjiang Chengchang implemented its quality assurance management system and received its ISO9001:2000 qualification and ANST certificate. • Attended Executive Development Programs held by School of Management of Xiamen University • Served as the Vice Chairman of the First Council of China Ninnan Chamber of Commerce in Russia
Mr. Tuyan Chen	Chief Financial Officer	• Years of international experience in accounting & finance, equity research and investment banking and appointed as CFO in January 2011 • CFA Charterholder, CPA Australia, FRM Charterholder • Received his Bachelor degree in Engineering from Civil Aviation University of China and Master degree in Accounting from Macquarie University, Australia with Merit

Industry Chain & Business Model

Footwear industry chain

Raw material producers → Shoe material producers → Footwear producers → Brands → Dealers → Consumers

Brands

Orders

OEM

Orders

Order

Shoe material manufacturers

OEM

- Manufactures products or components that are required by the purchasing company
- No bargain power and low profit margin

ODM

- Manufactures products which are specified and branded by customers. Quantities of products are also specified by client's orders
- High added value and high profit margin

Company's business model

- ODM model – Using our proprietary materials and advanced production techniques to develop and manufacture products specified by brand customers
- Production quantities specified in
- client's orders
- ▸ Low inventory levels
- ▸ Production volumes are almost equal to
- order volumes
- ▸ Has gradually extended to the upstream
- raw material industry in recent years –
- EVO and EVA degradable materials

Business Overview - Product lines

Comprehensive product lines

	Introduction	Samples
Traditional soles	► Includes traditional soles, sandals, slippers, ect. ► Usually made of middle soles and rubber outsoles ► Normally used to manufacture athletic and leisure shoes	
Dual-color dual-hardness soles	► A single step injection molding procedure using our EVO materials ► Provides enhanced cushioning and abrasion resistance while lowering the production costs ► Mainly used to manufacture athletic and leisure shoes as well as sandals and slippers	
RB soles	► Usually made of rubber ► Offers good abrasion resistance and traction, but weighs much more than EVA soles ► Mainly used to manufacture athletic and leisure shoes	
EVO pellets	► A series of materials with different characteristics ► Mainly consists of EVA material and designed for high performance, enhanced cushioning and abrasion ► Used to manufacture all of the products	

Business Overview - Client base

- Strong and diversified customer base, including a number of well-known companies in both the international and domestic sportswear market
  - Prominent International Brands Reebok, Merrell, Diadora, FILA
  - Well-known Domestic Brands – ANTA, 361°, Xtep, Qiaodan
  - Major Domestic Brands – Erke, Deeway, GRN

Prominent International Brands	Well-known Domestic Brands	Major Domestic Brands

...Targeting China's consumer market

Business Overview - Top 10 customers

Year	FY2022		3Q2023	
Rank	Customers	%	Customers	%
1	Huiteng Shoes	26.0	Shuta Supplies	35.3
2	Shuta Supplies	23.9	Fengchuang Shoes	26.6
3	Fengchuang Shoes	23.9	Huiteng Shoes	24.1
4	Baichuang Sports	10.3	YinQing Trading Co., Ltd.	8.0
5	ZhongQiao Sports	8.1	Mosinuoka Shoes.	5.6
6	Qiaodan Technology	3.5	Xiongqiang Sports	0.5
7	YinQing Trading Co., Ltd.	2.5		
8	ZhongShang Import & Export	1.7		
TOTAL		**100.0**		**100.0**

Note: Most of our customers are China's prominent brands and their OEM factories as well as export trading companies

R&D - Overview

R&D Department

Innovative Composite Materials

EVO material (Patent awarded)

EVO materials are designed for high performance, enhanced cushioning and abrasion resistance. EVO material is lighter and softer than traditional EVA materials It also has better abrasion resistance . EVO materials can replace rubber and be used independently as an outsole

EVA degradable material(Patent awarded)

This new material has overcome the shortcomings of traditional EVA material, such as difficult to degrade in natural environments and to recycle. It has several distinctive advantages including degradability and lower production costs

Advanced Production Techniques

One-step dual-color, dual-hardness injection technique

Our proprietary injection technique makes the assembly process unnecessary and shortens the manufacturing process. Industrial adhesives and other treatment agents are no longer required and therefore, create no harm to the human body and do not inflate pollution. In addition, this production technique can reduce raw material and labor costs as well as provides superior product quality since potential adhesive failure is eliminated

R&D - Composite Materials

	Traditional EVA material	EVO materials (Patent awarded)	EVA degradable material (Patent awarded)
Advantages	• Good plasticity, excellent elasticity and light weight • Poor abrasion resistance. Only suitable for making mid-sole. Rubber outsoles are usually required to provide traction and anti-slip qualities • Difficult to degrade	• Designed for high performance, anti-slip, excellent elasticity, enhanced cushioning and abrasion resistance • Lighter and softer as well as offers better abrasion resistance • Can replace rubber and be used independently as an outsole . Lower costs and much lighter than rubber • Difficult to degrade	• This new environmentally friendly material is degradable, while keeping the advantages of EVA material • It is mainly comprised of EVA materials, wood flour and recycled EVA foam materials. It will be partially decomposed into water and carbon dioxide when buried in the soil or garbage pile • Lower production costs
Market acceptance	• Widely used in shoe sole materials	• Successfully developed EVO products through continuous efforts of our R&D team • Well received by the market since launched in May 2010 • Began to use EVO materials to manufacture children's toys	• Successfully developed Starch/EVA Bio-degradable Shoe Materials in February 2011. In 2013, our R&D team has successfully replaced starch with wood flour • Currently promoting this material to NIKE and Adidas, with huge market potentials

Advanced Production Technique - Production Process

Traditional soles production process

Preparing materials → Manufacturing EVA midsoles

Preparing materials → Manufacturing RB outsoles

→ Stock Fit

Shortcomings

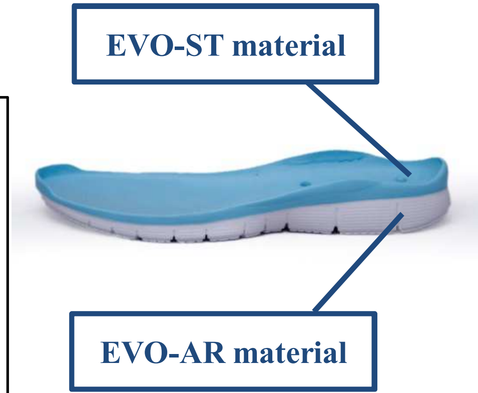
- Lengthened production process, more labor intensive and requires larger manufacturing facilities and more equipment
- Industrial adhesives and other treatment agents are used during the stock fit process. These adhesives contain chemicals which are inevitably harmful to human body and pollute the environment.

One-step injection dual-color, Dual-hardness foaming technique

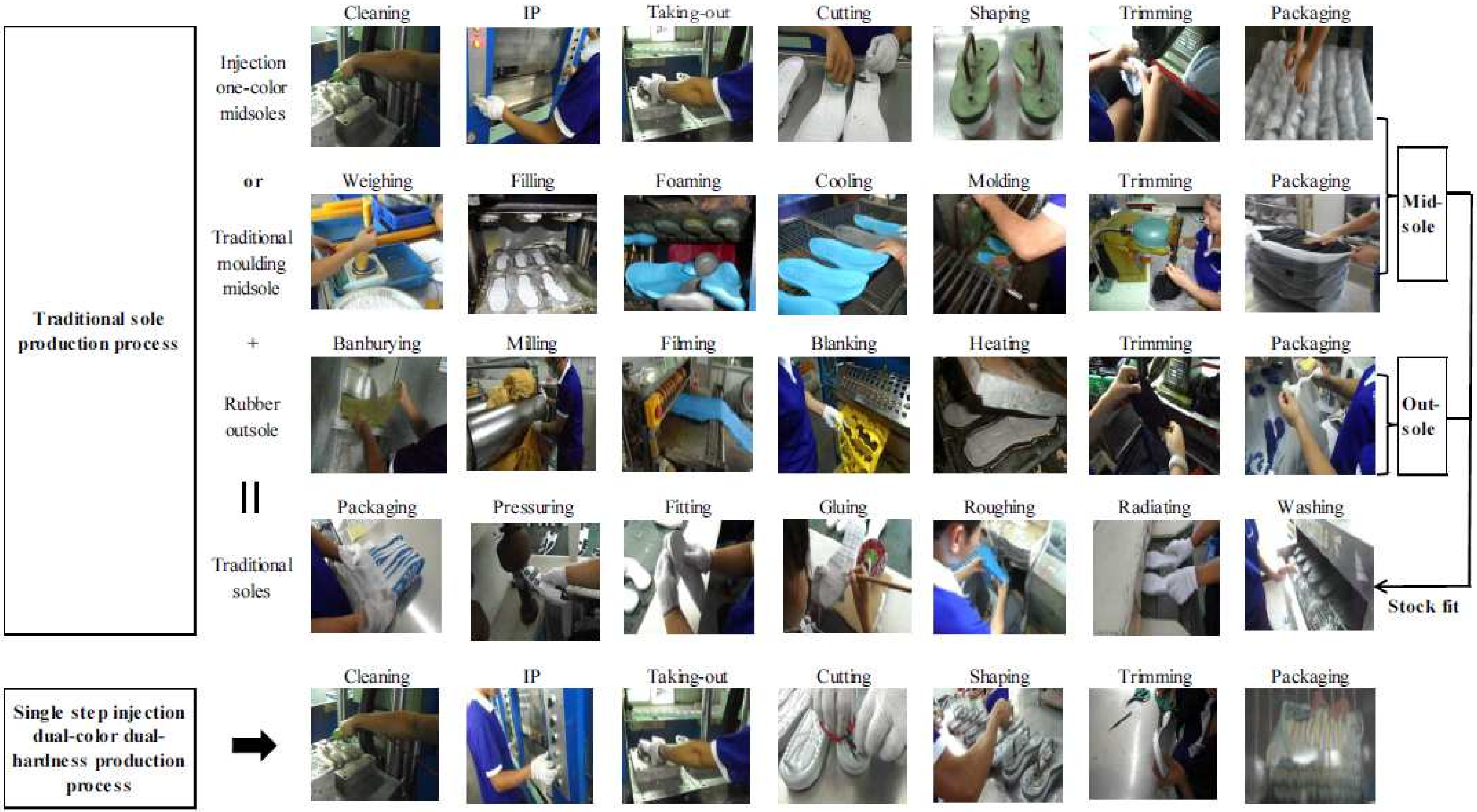
Preparing materials → **One-step injection molding process**

Advantages

- A single step injection molding procedure, which makes the stock fit process unnecessary. Industrial adhesives and other treatment agents are no longer required and therefore, create no harm to the human body and do not inflate pollution
- Two different materials are perfectly combined during the molding process, offering wearing comfort and better abrasion resistance as well as providing superior product quality since potential adhesive failure is eliminated
- Shortens the manufacturing process and reduces labor costs by nearly 70%



Advanced Production Technique - Demo



Investment Thesis

Innovation production techniques reduce costs and improve product quality

Strong R&D team with expertise in developing new compound materials

Strong and welldiversified customer base with prominent brands

EVA environmentally friendly material

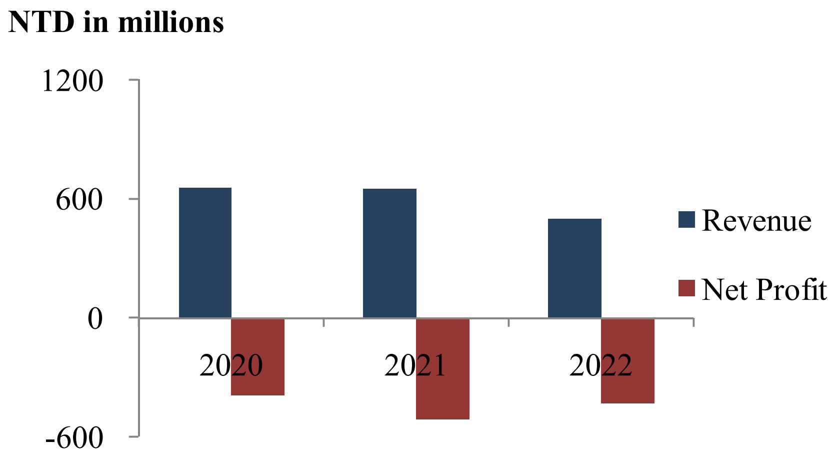
Highly experienced and dedicated management and comprehensive product lines

Received high-tech enterprise certificate

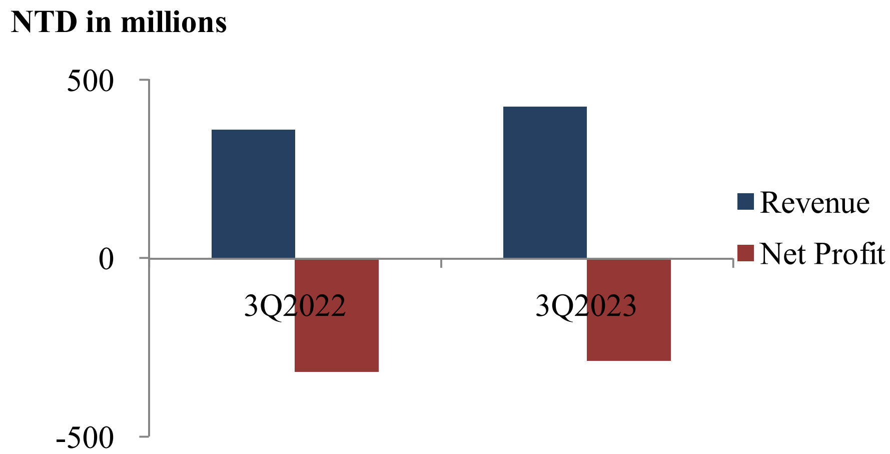
Financial Highlights - P&L

(NTD in Thousands)	2020	%	2021	%	2022	%	3Q2023	%
Revenue	656,406		650,629		499,230		424,427	
Gross Margin	(259,699)	(40%)	(378,869)	(58%)	(253,054)	(51%)	(162,446)	(38%)
Profit before tax	(393,806)	(60%)	(515,268)	(79%)	(427,103)	(86%)	(288,789)	(68%)
Net Income	(389,742)	(59%)	(512,492)	(79%)	(429,878)	(86%)	(286,700)	(68%)
EPS	(2.55)		(3.35)		(2.81)		(1.87)	

FY2020 - FY2022

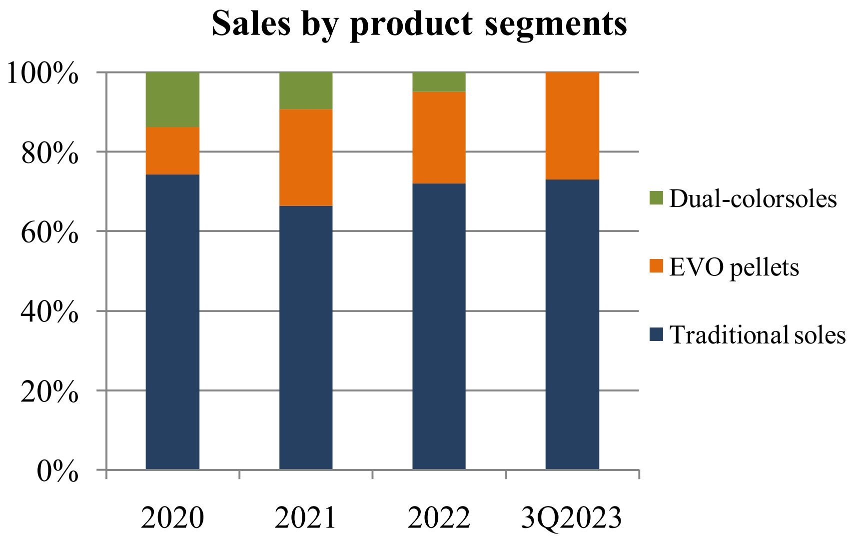


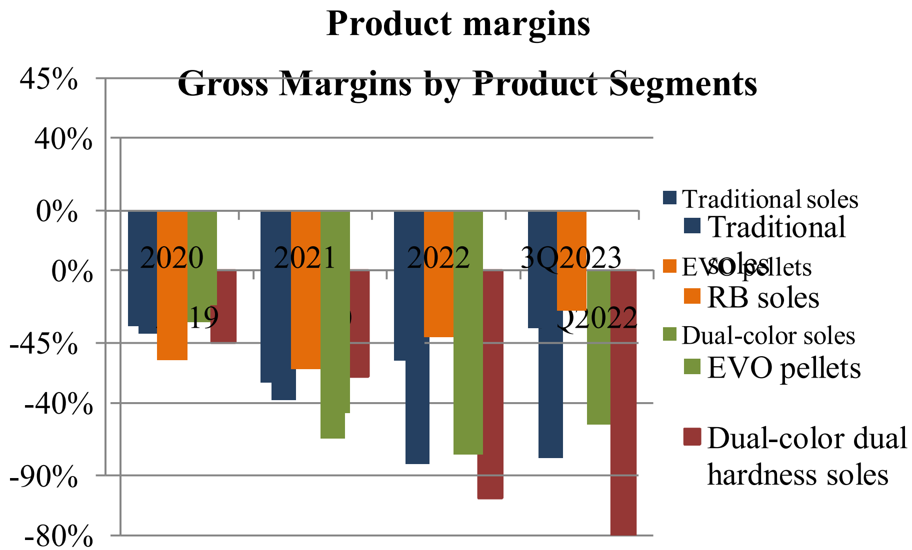
3Q2023



Financial Highlights - Product Revenue Mix & Gross Margins

Product Revenue Mix & Gross Margins	2020		2021		2022		3Q2023	
	%	Margin	%	Margin	%	Margin	%	Margin
Traditional soles	74%	(39%)	66%	(58%)	72%	(51%)	73%	(40%)
Dual-color dual-hardness soles	14%	(32%)	9%	(69%)	5%	(83%)	-	-
EVO pellets	12%	(51%)	25%	(543%)	23%	(43%)	27%	(34%)
TOTAL	100%	(40%)	100%	(58%)	100%	(51%)	100%	(38%)





Financial Highlights - Financial Ratios

Financial ratios		FY2020	FY2021	FY2022	3Q2023
Financial leverage	Total liabilities/Total assets(%)	2.58	3.18	2.94	5.42
	(Net equities + Long-term liabilities)/Total assets(%)	391.05	300.14	231.94	189.69
Solvency	Current ratio(%)	2,461.02	1,755.85	1,563.94	1,250.86
	Quick ratio(%)	2,413.66	1,647.73	1,410.69	1,060.32
	Interest coverage ratio	-	-	-	-
Operation Capability	Receivable turnover ratio	2.63	3.86	3.88	5.50
	Average collection period	139	95	94	66
	Inventory turnover	69.28	66.07	32.12	126.35
	Average days to sell the inventory	5	6	11	3
	Fixed assets turnover	0.47	0.39	0.25	0.25
	Total assets turnover	0.12	0.13	0.10	0.12
Profitability	ROA(%)	(6.67)	(9.56)	(8.65)	(8.03)
	ROE(%)	(6.91)	(9.84)	(8.92)	(8.39)
	Operating profit/Total paid-in capital(%)	(26.22)	(34.25)	(28.06)	(26.82)
	Profit before tax/Total paid-in capital(%)	(25.75)	(33.69)	(27.93)	(25.18)
	Net profit margin(%)	(59.38)	(78.77)	(86.11)	(67.55)
	EPS(NTD)	(2.55)	(3.35)	(2.81)	(1.87)
Cash flow	Operating cash flow/Current liabilities(%)	(218.25)	(279.32)	(263.47)	(260.62)

Business Strategy - Future Strategy

A brief history of company's strategy

1997 | 2009 | 2012 | 2015 | 2018 | 2022 | 2025 | 2030

- Traditional shoe sole materials
- OEM
- Labor intensive production

- Core competitiveness lies in our innovative new materials and production techniques as well as enhanced automation capabilities
- Focus on mid to high end products with high added value to secure high margins. Continue to develop new materials and innovative manufacturing techniques to consolidate our leading position in the market

- Promoting one-step injection dual-color dual-hardness products and EVO pellets
- Focus our sales on the domestic and international prominent brands

- Promoting EVA degradable material
- Expanding our manufacturing capacities
- Continue to penetrate into international prominent brands

- Our company's business strategies reflect the future trend of the sports footwear industry.
- We will ramp up our efforts to develop new composite materials and increase supply of compound materials to penetrate into the upstream industry.
- We will continue to upgrade our manufacturing techniques in order to consolidate our leadership as a product innovator and further reduce labor costs.

Business Strategy - Growth Strategy

Technology-driven innovation

Highest quality assurance

A leading researcher of new composite materials

- Increase sales on the domestic and international prominent brands to secure higher margins
- Continue to promote EVO materials and dual-color dual-hardness products
- Expand applications of our proprietary materials
- Continue to develop and promote EVA degradable material

Victory New Materials Limited Company

Thank You !

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