

Safety First ♦ Quality ♦ Speed ♦ Teamwork ♦ Excellence

Yeong Guan Group (1589 TT)

August 11 2020



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Outline



1. Financials & Business Strategy



2. Wind Energy Competitiveness



3. From Taiwan to the World



4. Sustainable Development

Financials & Business Strategy

2020 Q2 Income Statement

Unit: NTD 1,000s

	2Q2020	1Q2020	QoQ	2Q2019	YoY
Revenue/營業收入	2,135,664	1,130,199	89%	1,950,616	9%
Gross Profit/營業毛利	465,019	126,516	268%	304,434	53%
Gross Margin/營業毛利率	22%	11%	↑11PP	16%	↑6PP
Operating Expense/營業費用	310,608	237,874	31%	256,706	21%
Operating Income/營業淨利	154,411	(111,358)	239%	47,728	224%
Operating Profit Ratio/營業淨利率	7%	-10%	↑17PP	2%	↑15PP
Non Operating Items/營業外收支	68,353	(16,668)	510%	(12,475)	648%
Profit before Tax/稅前淨利	222,764	(128,026)	274%	35,253	532%
Profit after Tax/稅後淨利	193,094	(112,830)	271%	19,116	910%
EPS (Basic)/每股盈餘(基本)	1.82	(1.06)		0.18	

2020 Q2 Balance Sheet

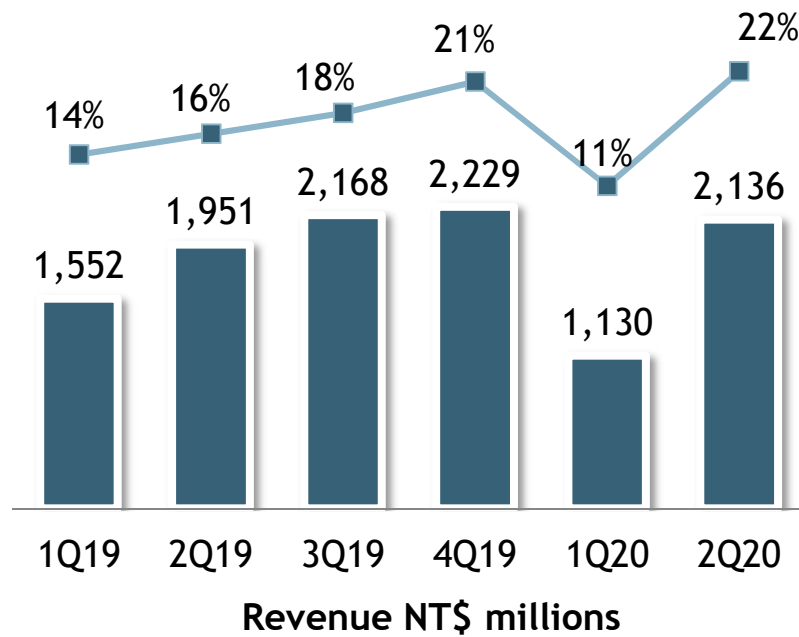
Unit: NTD 1,000s

	1H2020	2H2019	HoH	1H2019	YoY
Total Assets/總資產	13,636,832	13,521,005	1%	14,414,590	-5%
Cash/現金	1,581,766	1,450,683	9%	2,150,811	-26%
NR & AR/應收帳款及票據	2,707,002	2,946,597	-8%	2,532,745	7%
Inventory/存貨	1,354,009	1,225,756	10%	1,595,585	-15%
Total Non-Current Assets / 非流動資產總計	6,516,012	6,737,520	-3%	7,088,241	-8%
Total Liabilities/總負債	6,118,893	5,698,938	7%	6,332,732	-3%
Bank Loans/銀行借款	4,160,440	3,858,326	8%	4,284,637	-3%
NP & AP/應付帳款及票據	1,069,589	990,180	8%	1,147,392	-7%
Total Equity/股東權益	7,517,939	7,822,067	-4%	8,081,858	-7%
Common Stock/股本	1,056,175	1,056,175	0%	1,056,175	0%

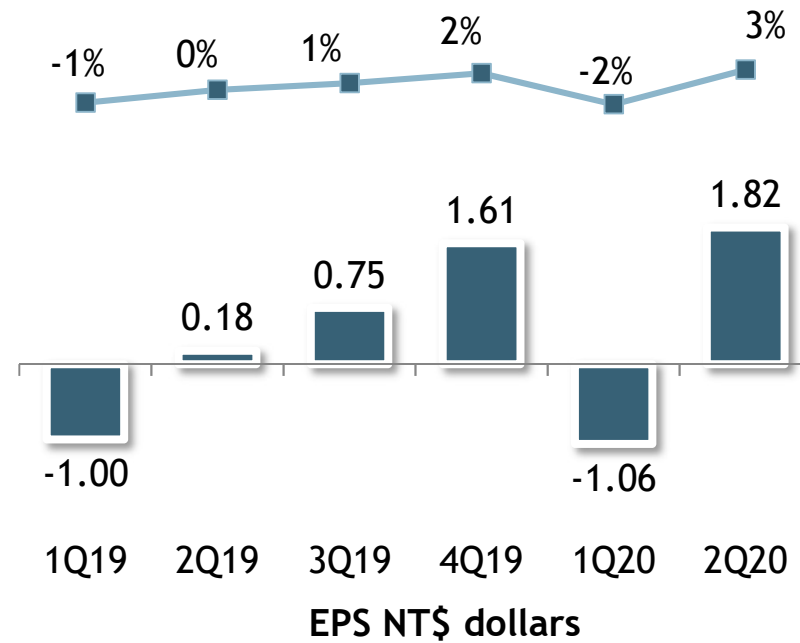
Wind market demand drives Revenue and Profit Growth

✧ Yeong Guan's return to profitability is fueled by increased demand from the global wind turbine market

Gross Margin



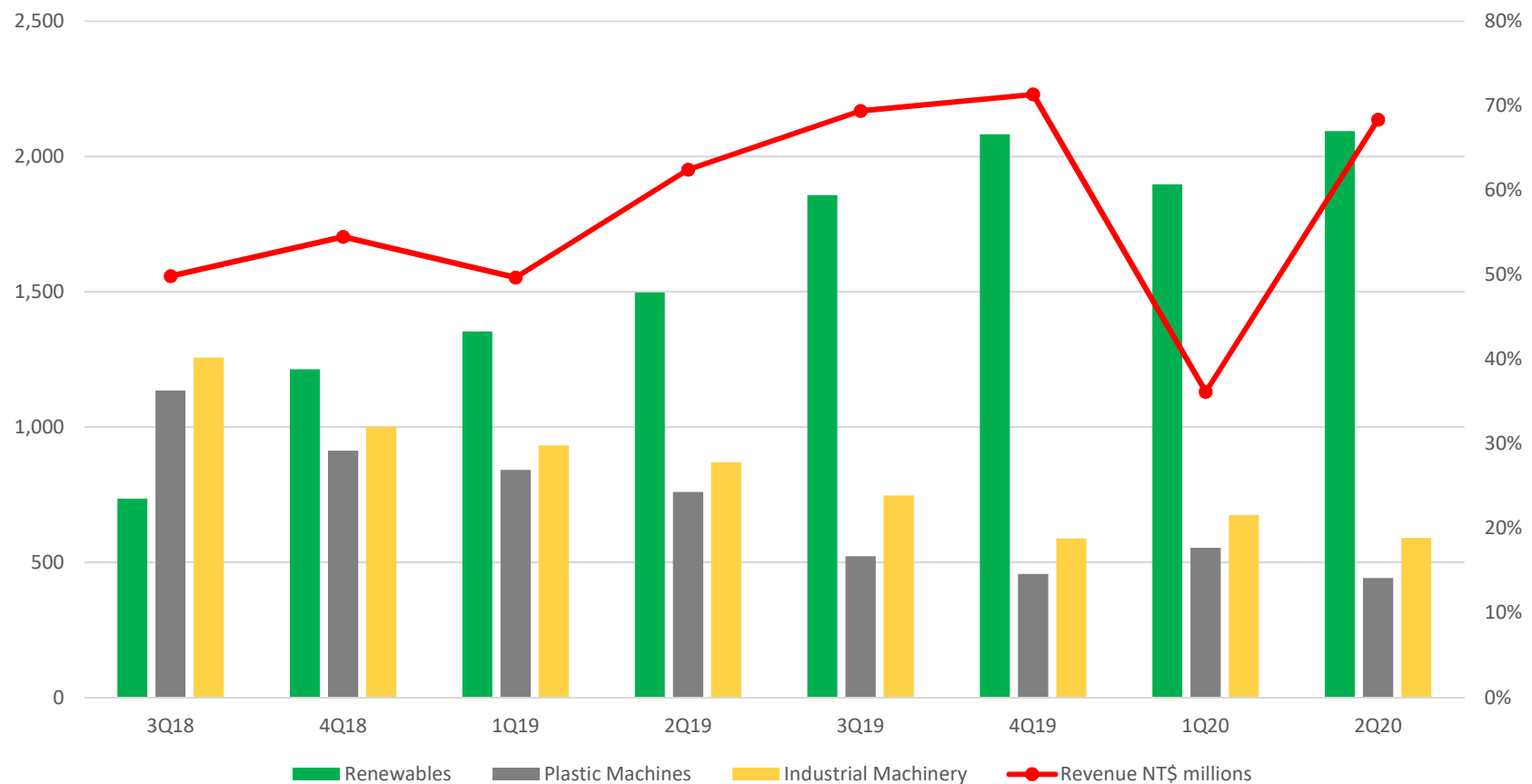
Return on Equity



Renewables Products demands reaches new heights

✦ Yeong Guan's production can adapt to demand quickly to maximize capacity utilization

Revenue Share by Product

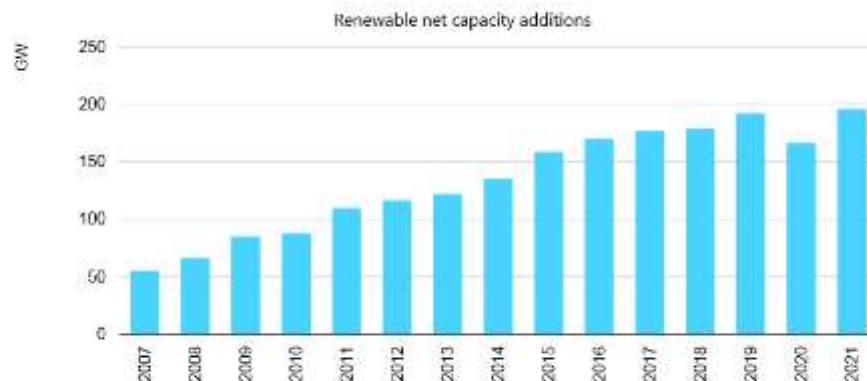


Global Renewables Market will rebound in 2021

IEA and Bloomberg forecasts
 COVID-19's impact will be
 12-13% this year.

But the delayed projects
 will be completed next year

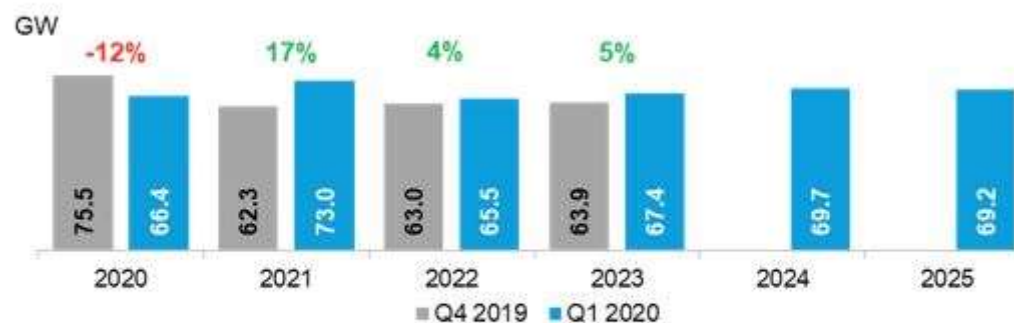
Covid-19 causes unprecedented renewable market dynamics



Renewables are affected by Covid-19 but they are resilient.
 Capacity additions decline by 13% in 2020 due to delays but they rebound in 2021.



Global quarter-on-quarter wind forecast change



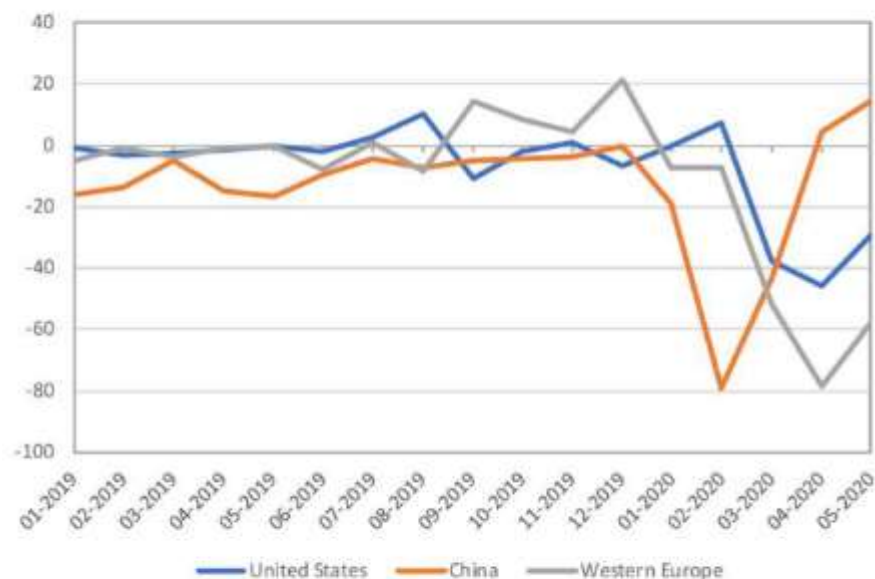
Source: BloombergNEF. Note: Previous forecast only to 2023. The Q4 2019 Market Outlook was published on December 19, 2019. The Q1 2020 Market Outlook was published on March 31, 2020.

Plastics/Industrial Machinery demand will return

✦ US/China/EU automotive sales are climbing

Chart 5: Automobile sales in selected economies

(Year-on-year % change)



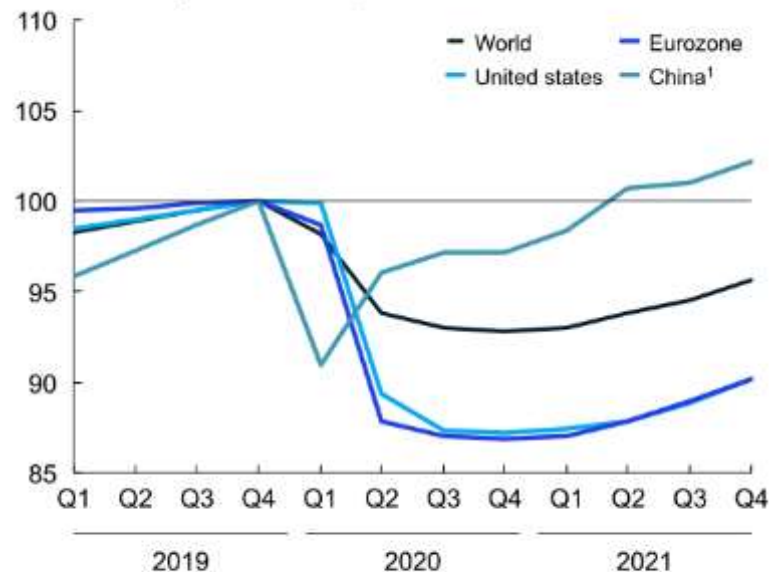
Source: Federal Reserve Bank of St. Louis, China Association of Automobile Manufacturers, European Association of Automobile Manufacturers

✦ McKinsey predicts Real GDP to bottom out by Q4

Scenario A1 Muted Recovery

Real GDP, Local Currency Indexed

Real GDP Growth – COVID-19 Crisis
Local Currency Units Indexed, 2019 Q4=100



1. Seasonally adjusted by Oxford Economics

Source: McKinsey analysis, in partnership with Oxford Economics

Looking towards the Future

✦ Near Term (1-2 years)

- Renewables will drive shipments growth
- 2020 target 165,000-175,000 tons
- 2021 expects increase demand from Wind and demand return from other industries

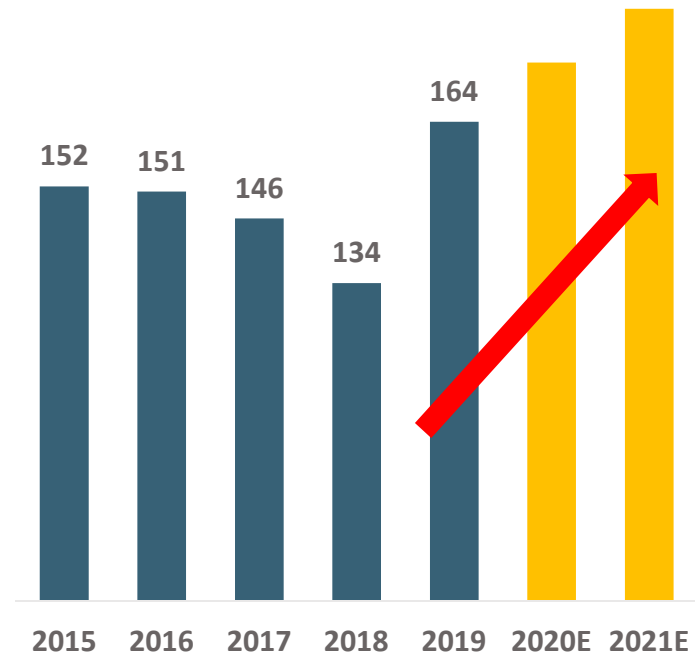
✦ Mid Term (3-5 years)

- Taichung Factory: 2020 construction start, 2022 production start
- Thailand Factory: 2021 construction start, 2023 production start

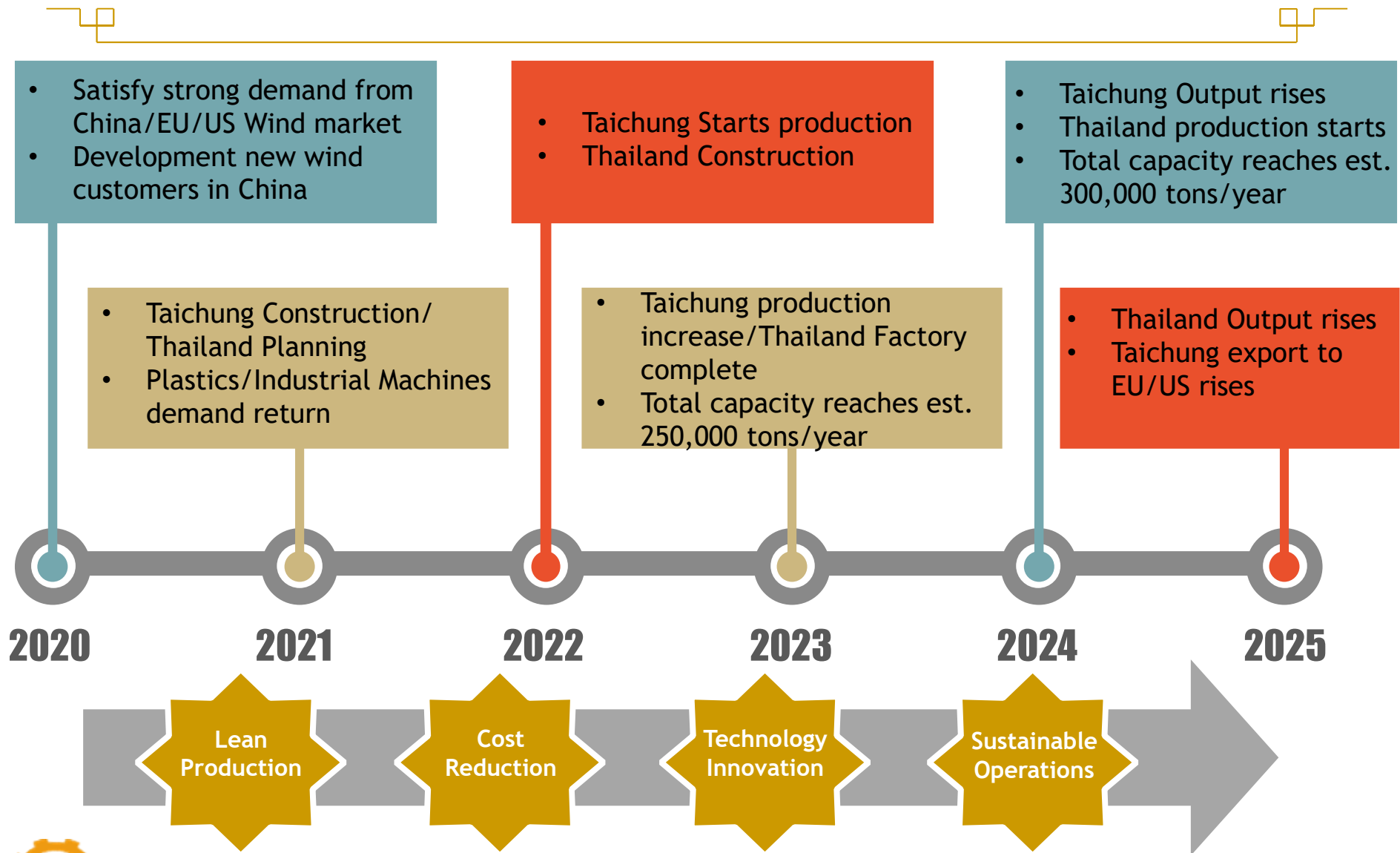
✦ Long Term (5-10 years)

- Sustainable Operation & Passing the Torch to the next Generation
- Build upon current ESG framework
- Corporate Social Responsibility

Estimated Shipments
(in 1,000 tons)



Development Timeline



Deglobalization trends means Taiwan/Southeast Asia becomes customer's choice for low risk supply chain

Existing Capacity



- Capacity: 20,000 tons/year
- Location: 6 factories located in 5 cities (Taoyuan, Liyang, Ningbo, Dongguan, Suzhou)
- Sales Distribution: Mainland China (54%), EU (22%), Americas (7%), Taiwan (5%), Rest of Asia (12%)
- Main Product sectors: Wind Energy, plastic injection molding machines, industrial machinery

Taichung Harbor



- Estimated Capacity: 80,000-100,000 tons/year (Phase 1 is 45,000 tons)
- Start of Production: est. 2022 Q2
- Main Product sectors: Offshore Wind, industrial machines
- Target Market: Taiwan, Rest of World excluding China
- Investment: Phase 1 is NTD 5.22 billion, Phase 2 is NTD 1 billion
- Strategy:
 1. Offshore wind casting capacity primarily exist in China/EU. With deglobalization trends, Taiwan can be a viable third option for customers
 2. Located in harbor means reduced transport cost.
 3. Customers (SGRE/MVOW) nearby and signed supply contracts.

Thailand



- Estimated capacity: 45,000 tons/year
- Start of Production: 2023
- Main Product sectors: Onshore Wind, Plastic Machines, Industrial machinery
- Target Market: ASEAN, Rest of World excluding China
- Investment: 5 Billion Thai Baht spent on land. 10 Billion Thai Baht required before 2022 to qualify for government incentives.
- Strategy:
 1. With deglobalization, customers seek suppliers with production outside of China to reduce risk.
 2. Received government incentive of Income Tax exemption for 8 years and 5 additional years with taxes halved.

Taichung factory for Offshore Wind under construction (start production in 2022)

✧ Details

- Construction start 2020, production by 2022
- 80,000-100,000 tons/yr capacity. Utilization: 25% by 2023, 75% by 2024, 100% by 2025
- Process technology transfer from existing foundry can ensure quick production start
- Advantages: Customers nearby (Siemens/MVOW), Localization Rules, Proximity to Harbor, Government Incentives
- NTD 5.22 Billion investment



Signed Conditional Contracts with Siemens/MVOW for the supply of castings for Taiwan's offshore wind market.
Expects 30,000 tons/year demand from Siemens Taiwan, and 50,000 tons demand from international markets.

Siemens (SGRE) will expand its investment in Taichung

- ✦ Siemens Taichung Factory has 2 GW/year capacity
- ✦ Taiwan will become first commercial market for Siemens 14 MW turbine



#SiemensGamesaTW #HaiLongAnchorProject #CleanFutureNow

西門子歌美颯再生能源今天宣布將擴大台中港的機艙組裝廠的投資，與台灣在地供應商共同打造亞太區離岸風電機艙產業聚落。

我們的目標是以海龍2號風場作為「定錨專案」，將西門子歌美颯最新的離岸風機技術帶來台灣，進而供應更多未來在台灣與亞太地區的風場專案!

與原規劃的台中港機艙組裝廠相比：

- 1 擴增雙倍的土地面積及生產區域
- 2 雇用雙倍員工數
- 3 興建兩棟新產線廠房與一棟倉儲
- 4 擴大投資輪殼與後端在地生產

西門子歌美颯已完成5個有條件地供應商和約簽署，所有這些零組件都將交付給西門子歌美颯位於台中港的機艙組裝廠，作為本土化的機艙生產流程的一部份，包含：

★ 永冠集團: 輪殼與風機後端鑄件



Yeong Guan Thailand construction start in 2021

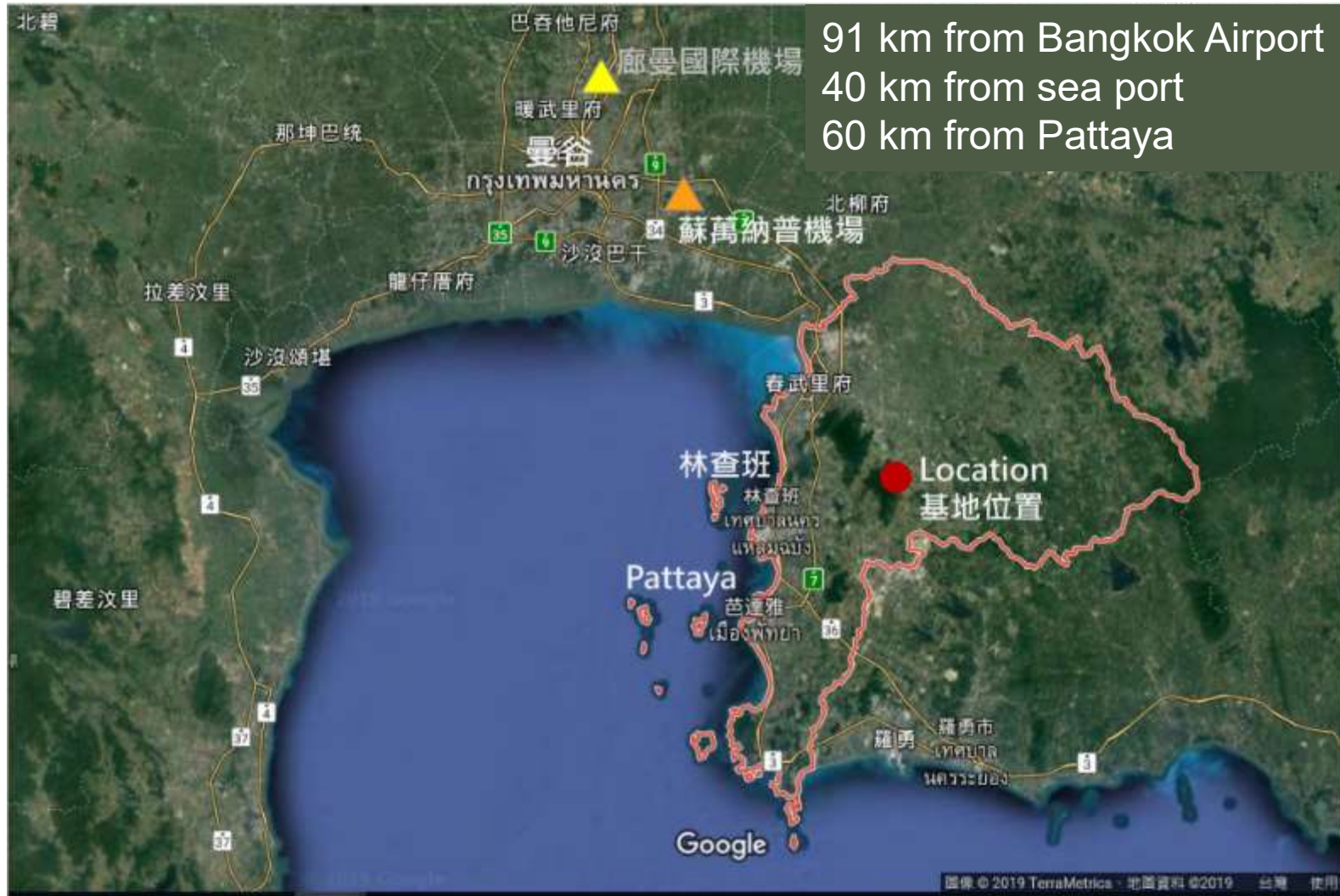
✧ Details

- Construction start 2020, expect to take two years.
- 45,000 tons/yr capacity. Automated production, producing full range of products
- Process technology transfer from existing foundry can ensure quick production start
- Advantages: 968,000 m² site with industrial development potential. 8 years tax-free and 5 years halved tax incentives, EIA approved, can be developed in stages



COVID-19 pandemic has tremendous impact on Thai economy this year
Thai government announced new incentives for foreign investments in April 2020.
Yeong Guan have applied for new incentives in July.

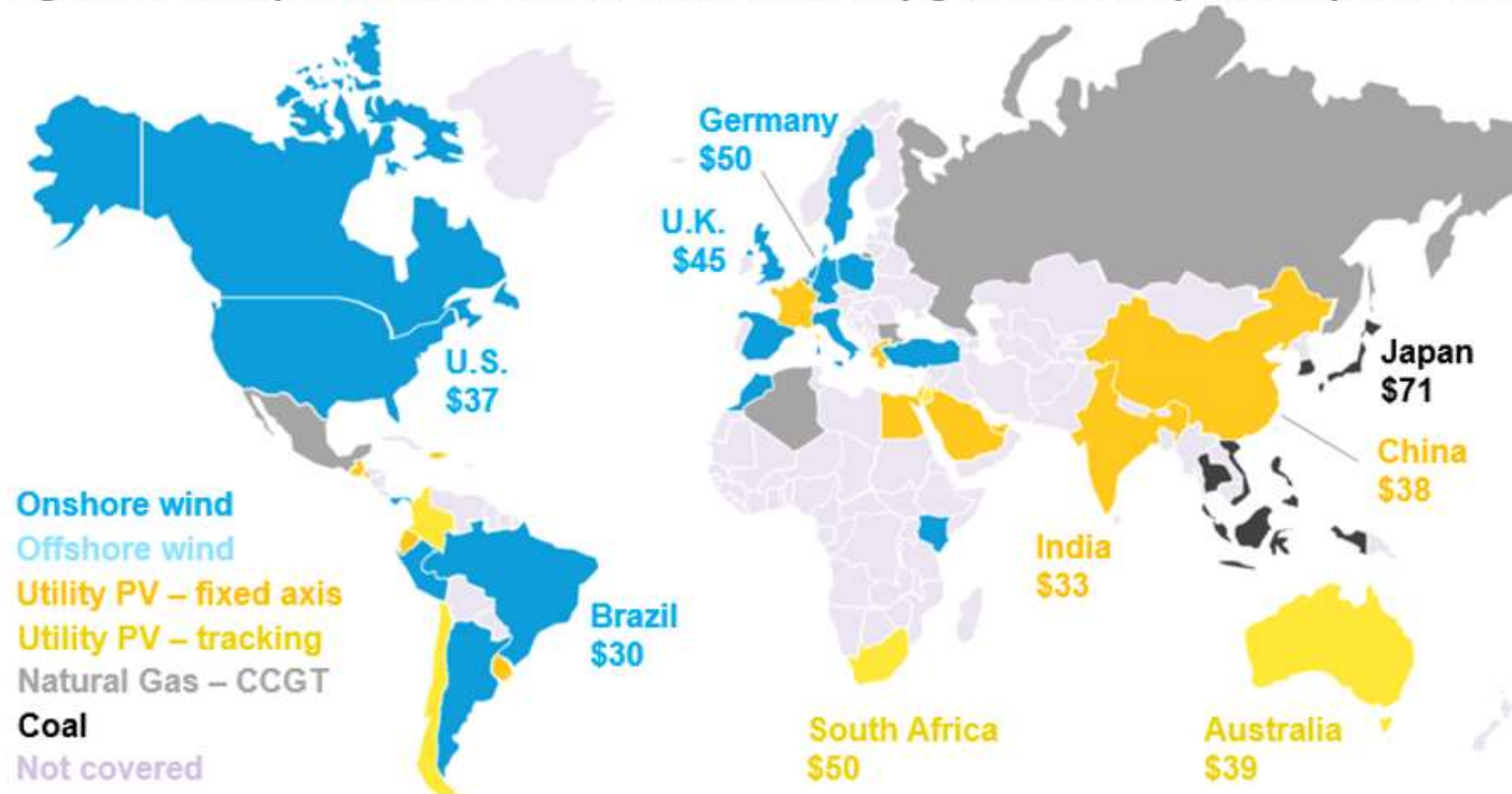
Ideal Geographic Location for Yeong Guan Thailand



Wind Energy Competitiveness

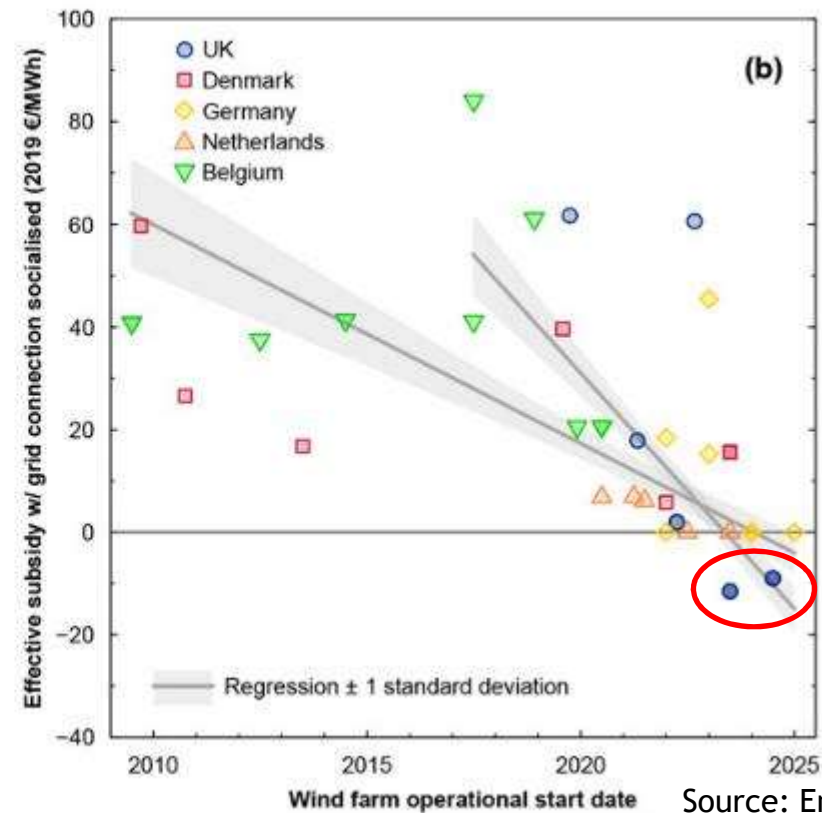
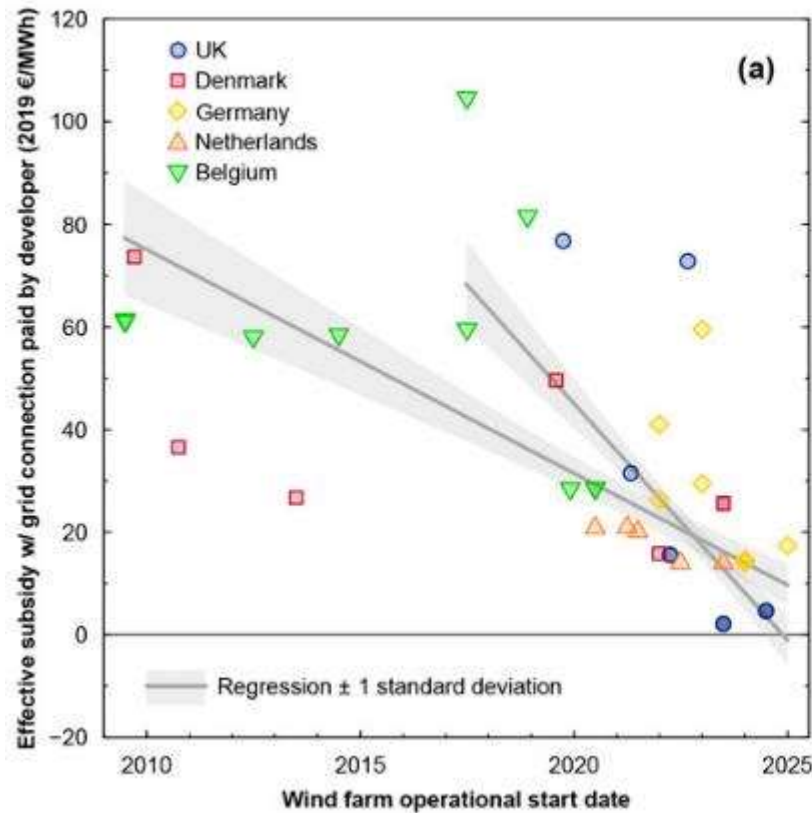
Wind is the most competitive energy source in various countries

Figure 1: Cheapest source of new bulk electricity generation by country, 1H 2020



Source: BloombergNEF. Note: LCOE calculations exclude subsidies or tax-credits. Graph shows benchmark LCOE for each country in \$ per megawatt-hour. CCGT: Combined-cycle gas turbine.

Offshore Wind market are heading towards “Negative Subsidy” Era



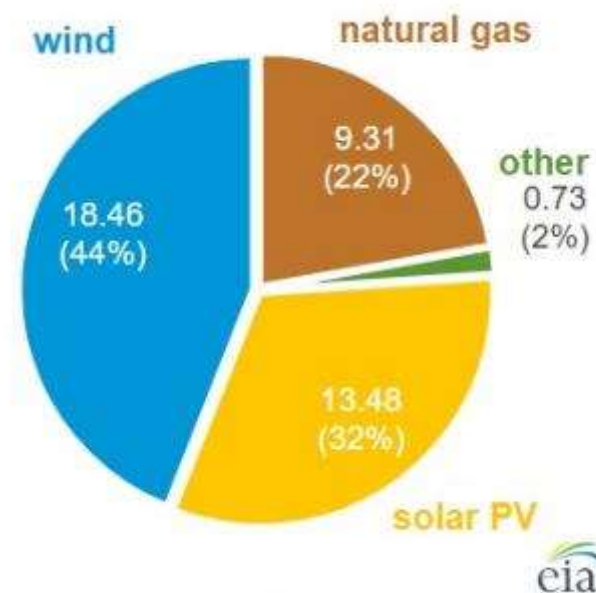
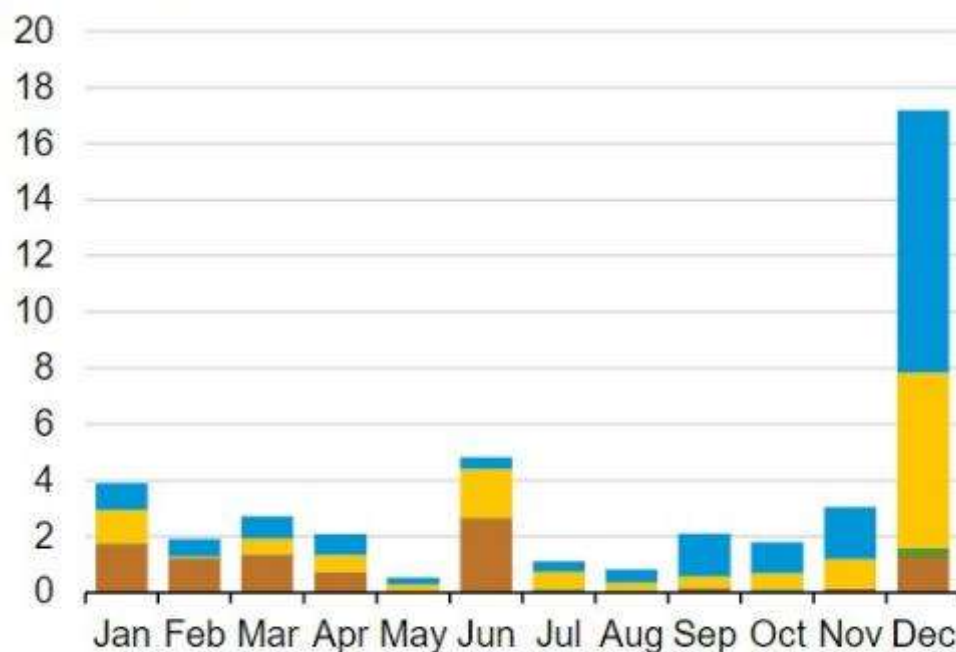
Source: EnAppSys

- ✿ If grid connection is socialized, some UK offshore wind project effective subsidy reaches negative territory

Renewables dominates US energy market

New electric generating capacity in 2020 will come primarily from wind and solar

Planned U.S. electric generating capacity additions (2020)
gigawatts (GW)



Source: U.S. Energy Information Administration, *Preliminary Monthly Electric Generator Inventory*

RE 100 Companies invests in Renewables

- ✧ TSMC became the world's first semiconductor company to sign the RE100 commitment. TSMC has signed a 1.2GW renewable energy purchase contract, of which 920MW comes from the offshore wind farm developed by Orsted
- ✧ International companies such as Apple that have joined RE100 will require their Taiwanese suppliers to commit to using renewable energy.



Note: RE100 is the global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100% renewable electricity.

Led by The Climate Group in partnership with CDP, RE100's mission is to accelerate a global shift to clean energy and zero carbon grids - delivering a cleaner, healthier future for us all.

From Taiwan to the World

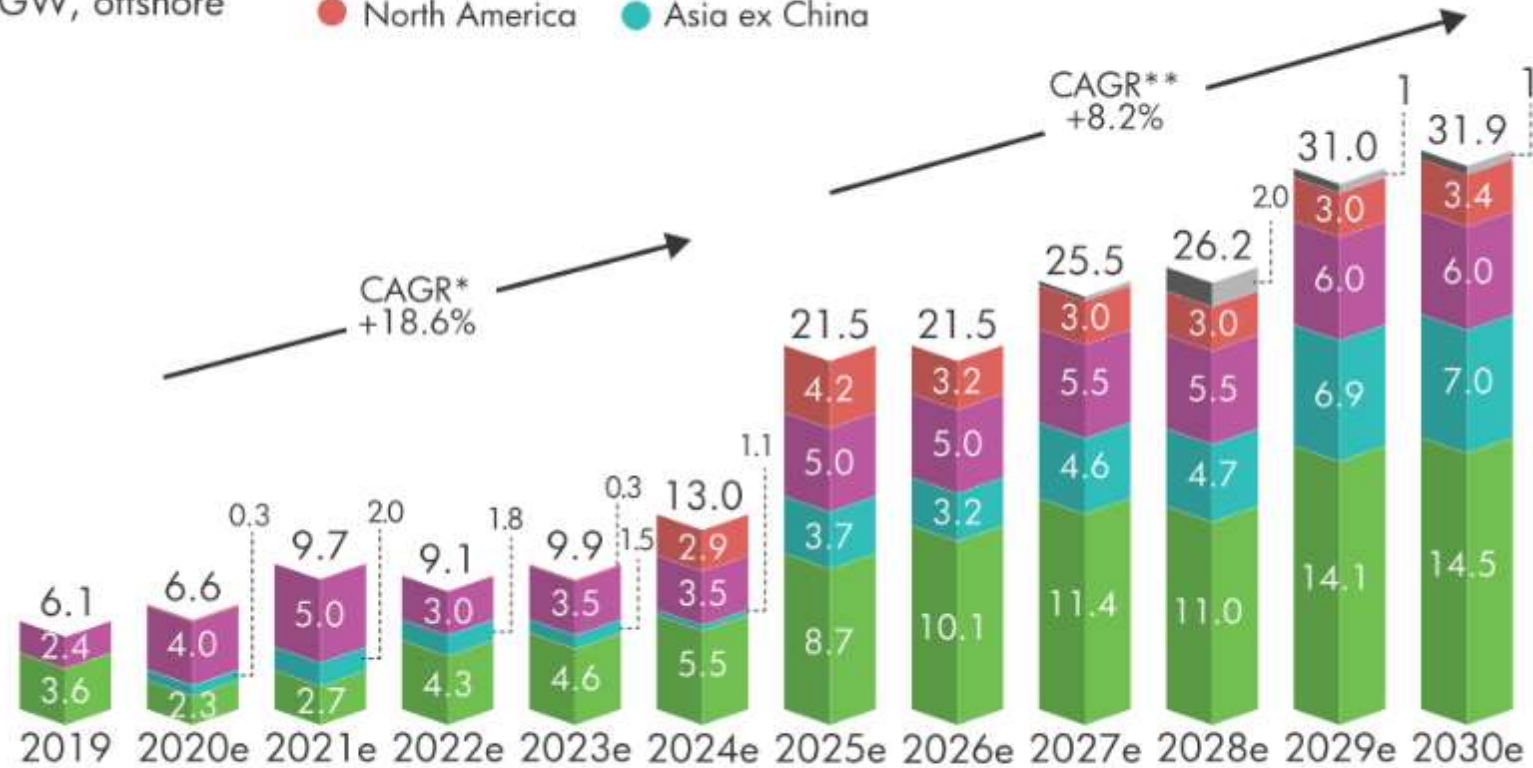
Offshore Wind Market growth forecast to 2030

Global offshore wind growth to 2030

New installations GW, offshore

- Other
- China
- Europe
- North America
- Asia ex China

✧ Est. 206 GW of new Offshore Wind capacity to be added from 2020-2030

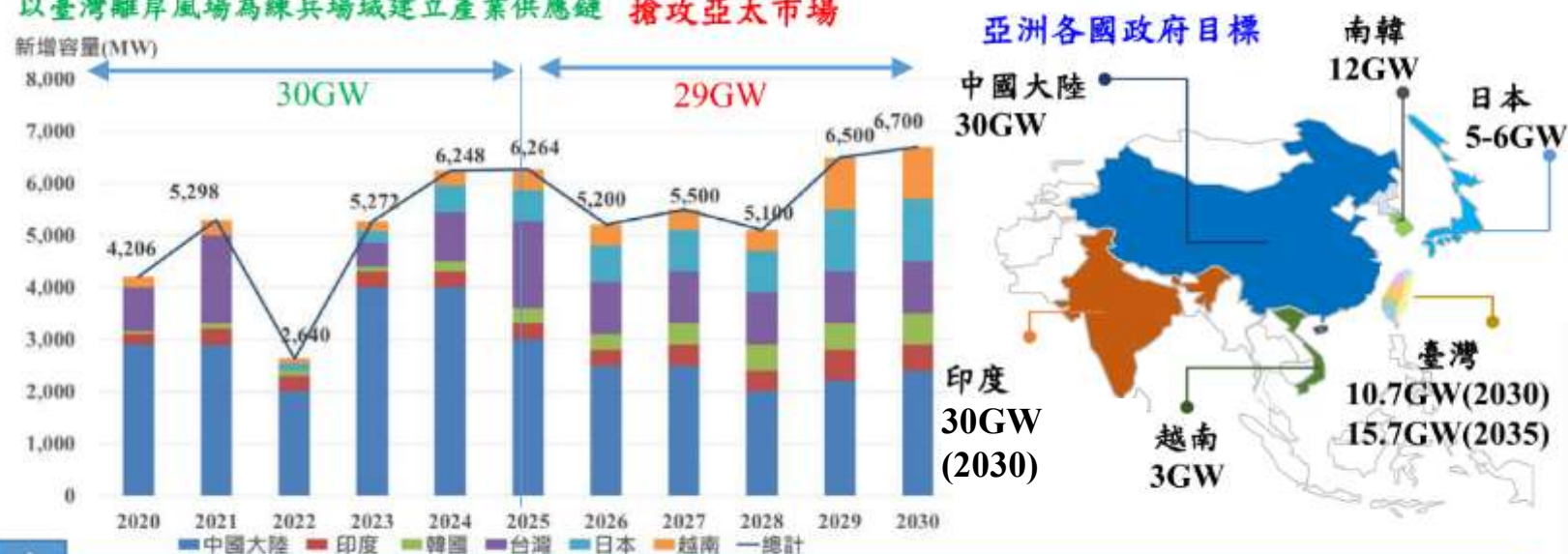


* CAGR = Compound Annual Growth Rate
 Source: GWEC Market Intelligence, June 2020

Asia-Pacific Region enjoys highest growth rate

◆ 2030年亞洲各國離岸風電政策目標(累計容量)合計約**90-91GW(預測僅實現65GW)**，為全球**成長最快速**區域

◆ 臺灣政策明確、基礎設施及法規配套完善，成為**亞洲離岸風電發展先驅**
以臺灣離岸風場為練兵場域建立產業供應鏈 **搶攻亞太市場**



產業布局

- ◆ 開發商：1. 沃旭在臺灣設亞太區營運總部，2019.11.19在臺舉辦首檔新台幣外國綠色債券上櫃掛牌典禮，為台灣第一件專業板新台幣計價外國債券發行案
2. 麥格理將在臺設**基礎建設基金**，擴大在臺綠能投資
3. WPD、CIP、NPI將臺灣設定為離岸風電發展**亞洲第一個據點**
- ◆ 風力機系統商：設**核心**的機艙組裝廠、功率轉換模組(PCM)廠，打造臺灣成為**亞太生產基地**
- ◆ 國內供應商：1. 建立**水下基礎、電力設施、風力發電機組及海事工程**等四大系統**本土供應鏈**
2. 進入開發商、系統商**國際供應體系**

資料來源：GWEC/JWPA/KWEIA金屬中心MII整理(2020.4)版權所有、禁止複製、轉載及外流

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Estimated Offshore Wind market demand in Taiwan

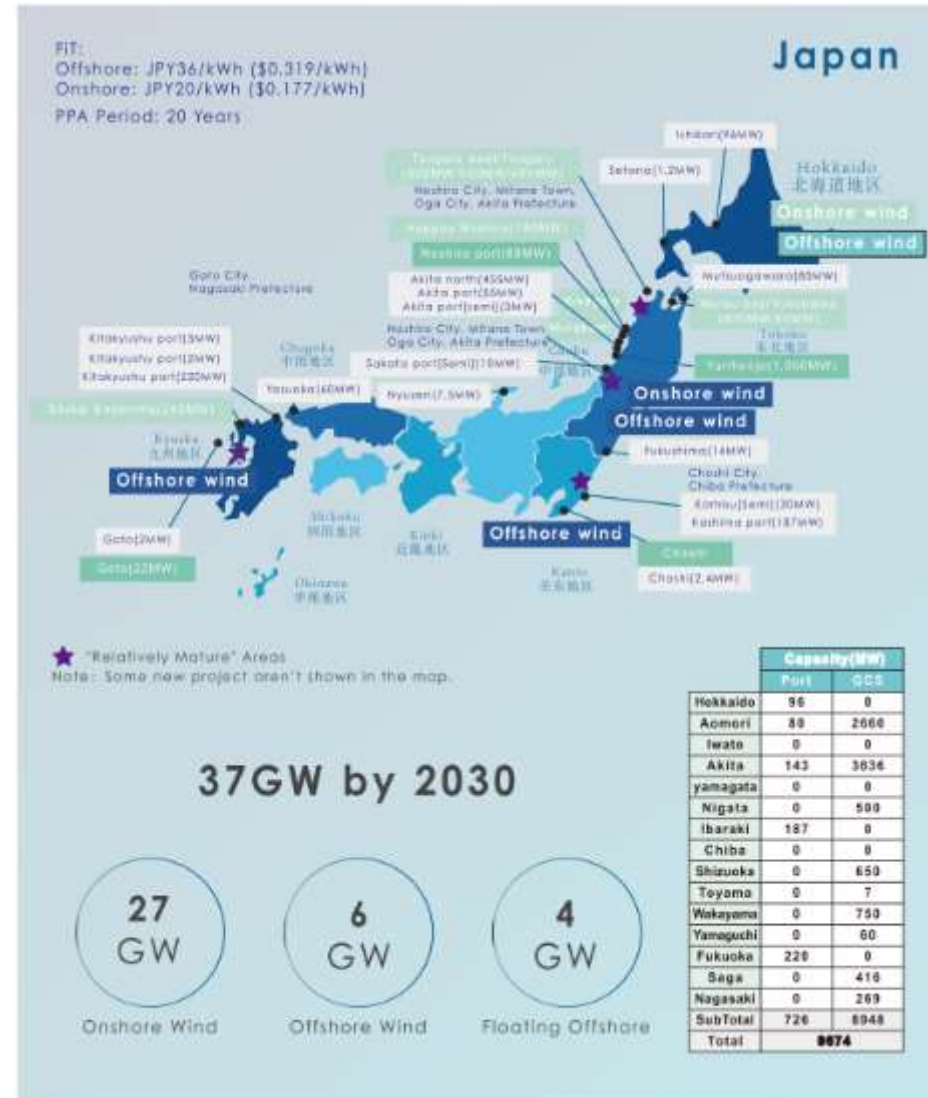
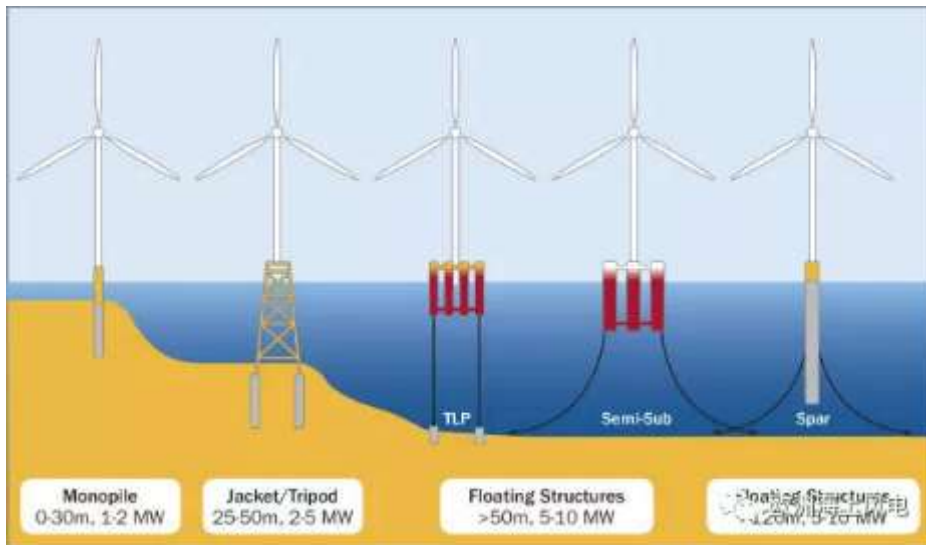
分配機制	併網年度	風場名稱	開發商	裝置容量 MW	風機廠商	機型	套數	噸數				
遴選	2020	海能	上緯麥格理	378								
		允能	達德WPD	360								
	2021	麗威	達德WPD	360								
		大彰化東南	沃旭Orsted	605								
		允能	達德WPD	348								
		大彰化西南	沃旭Orsted	295								
		彰芳	CIP	100								
	2023	彰芳	CIP	452								
	2024	西島	CIP	48					MVOW	9.5MW	5	410
		中能	中鋼	300					MVOW	9.5MW	31	2,542
		台電	台電	300					3/14審查資格	未決標	未決標	未決標
		海龍二號	北陸玉山	300					西門子哥美颯	10MW	30	3,462
		2024 小計							97	6,414		
競價	2025	海龍二號	北陸玉山	232	西門子哥美颯	10MW	23	2,654				
		海龍三號	北陸玉山	512	西門子哥美颯	10MW	51	5,885				
		大彰化西南	沃旭Orsted	337	西門子哥美颯	10MW	34	3,924				
		大彰化西北	沃旭Orsted	583	西門子哥美颯	10MW	58	6,693				
		2025小計			5500	2025 小計		166	19,156			
2023-2025 總計							263	25,570				
區塊	2026~2035			10,000			1000	120,000~150,000				

Wind Market Opportunities in Japan

✦ 10 GW of new Offshore Wind capacity by 2030 (4GW of which shall be floating farms)

Installed and Planned Wind Energy Capacities (MW)

	2019	2019	2030
Onshore	3,589	3,858	27,000
Offshore	65	65	10,000
Total	3,654	3,923	37,000

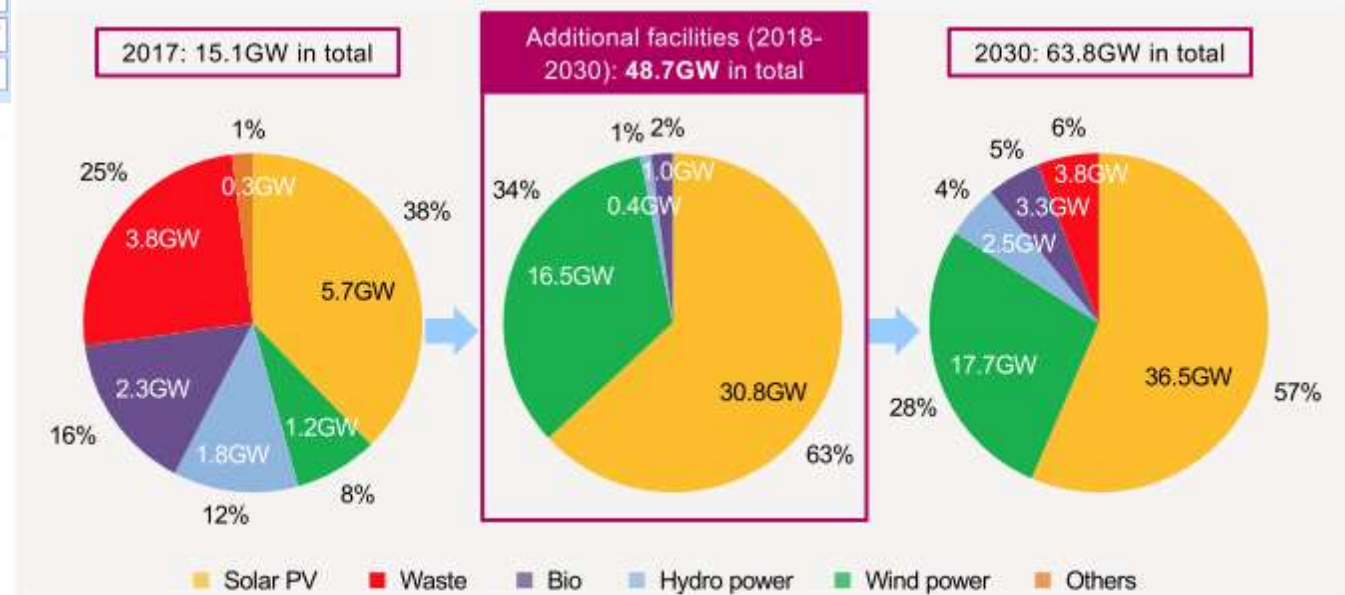


Wind Market Opportunities in South Korea

2.1.1 Offshore wind farms in the pipeline

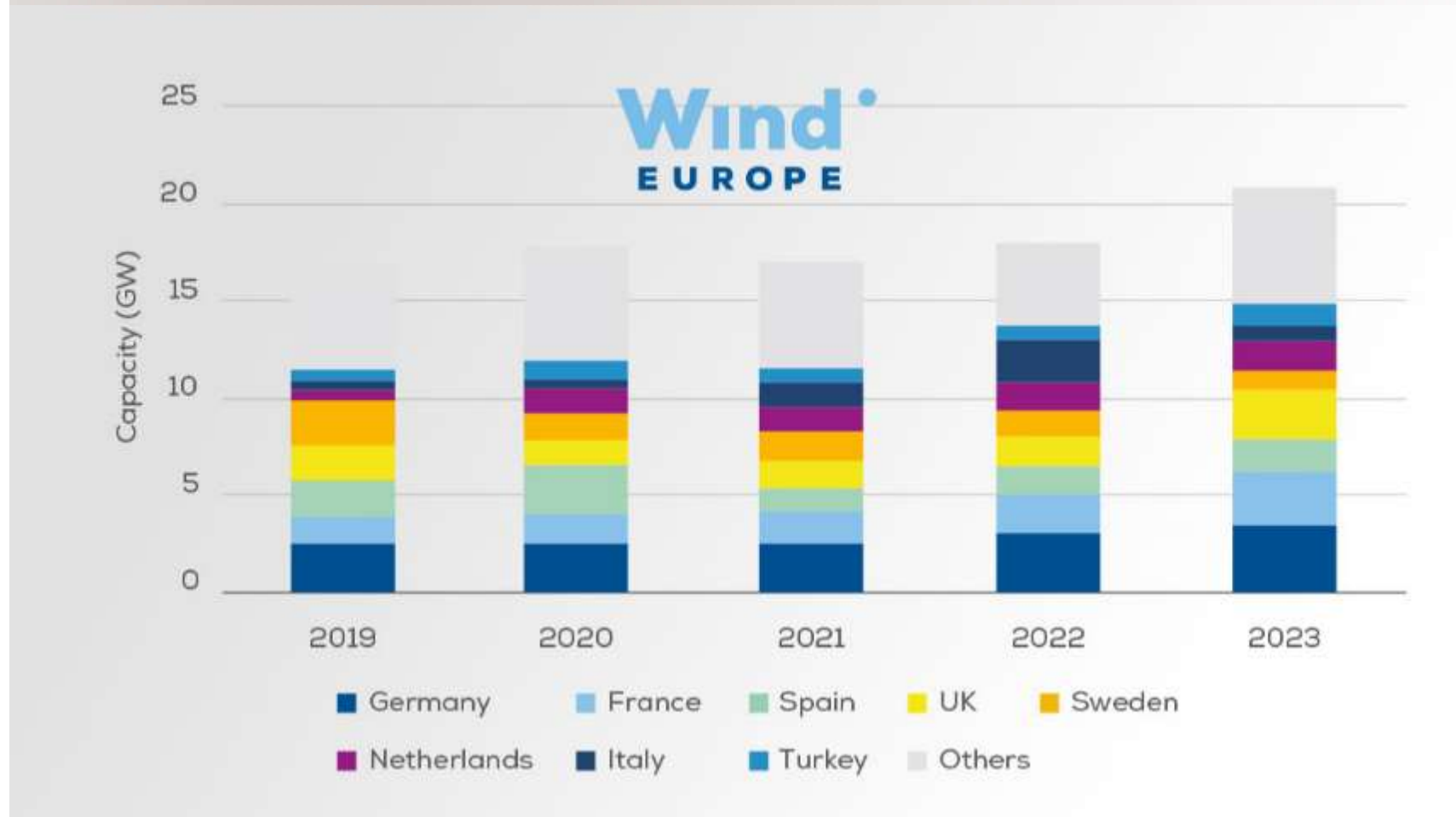


- ✧ Per “Renewables 3020” policy by ROK government, it plans to install 16.5 GW of new wind energy by 2030 (4 GW of which is offshore)
- ✧ Nov. 2019, 4.8 GW worth of offshore wind projects are approved or under construction



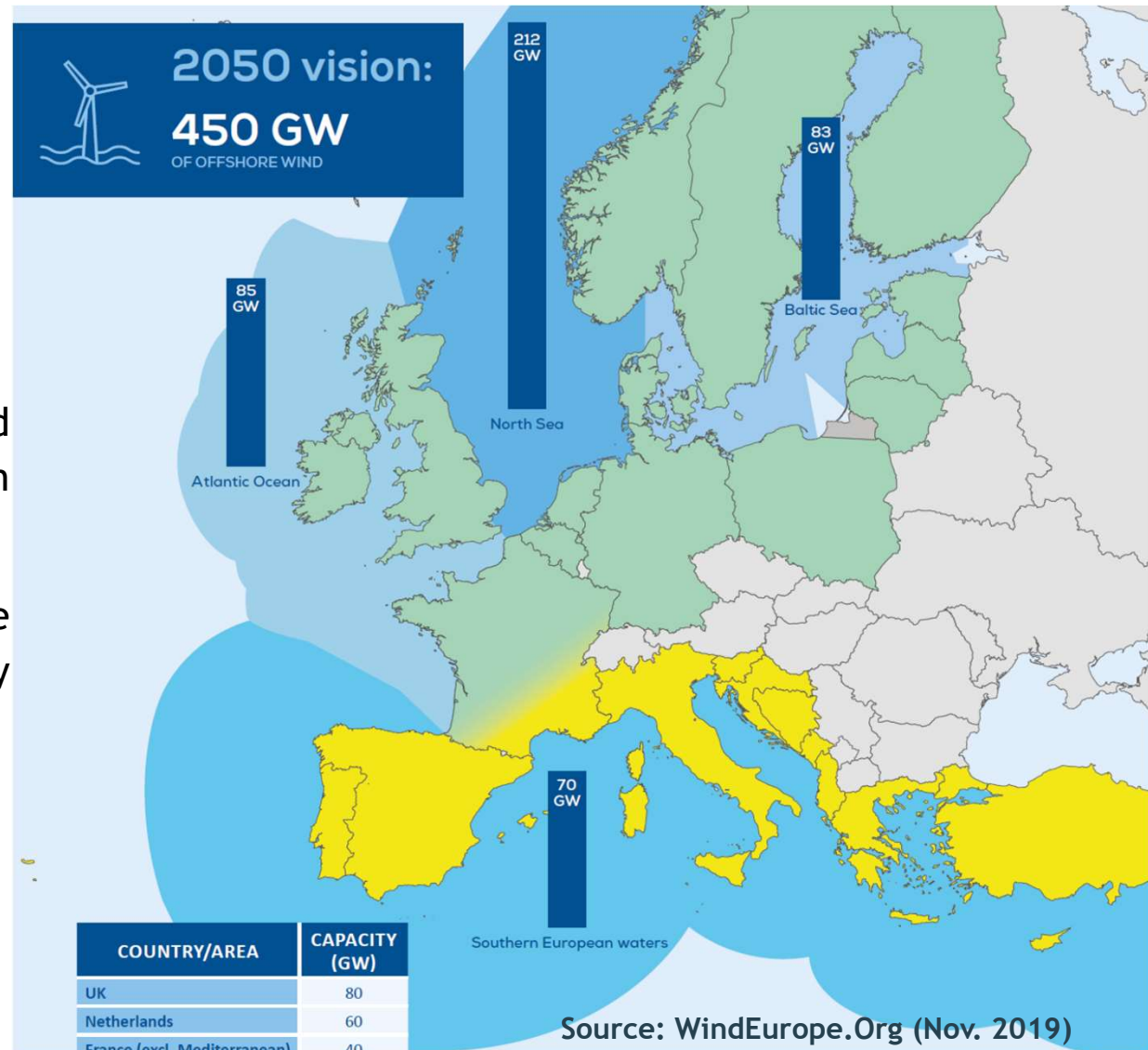
EU Market expects continued growth

Between 16 to 21GW of annual new offshore wind for EU from 2020 to 2023



Huge Offshore Market Potential in EU

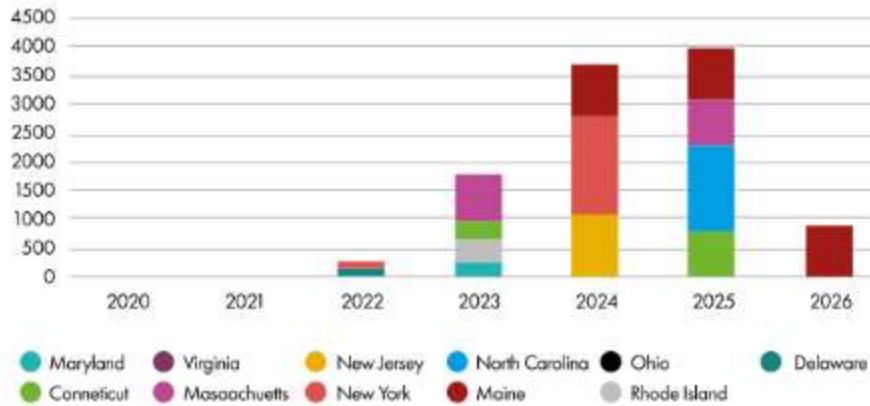
- ✧ Potentially 450 GW could be built in the EU region by 205
- ✧ Only 22 GW of offshore wind has been installed by 2019.



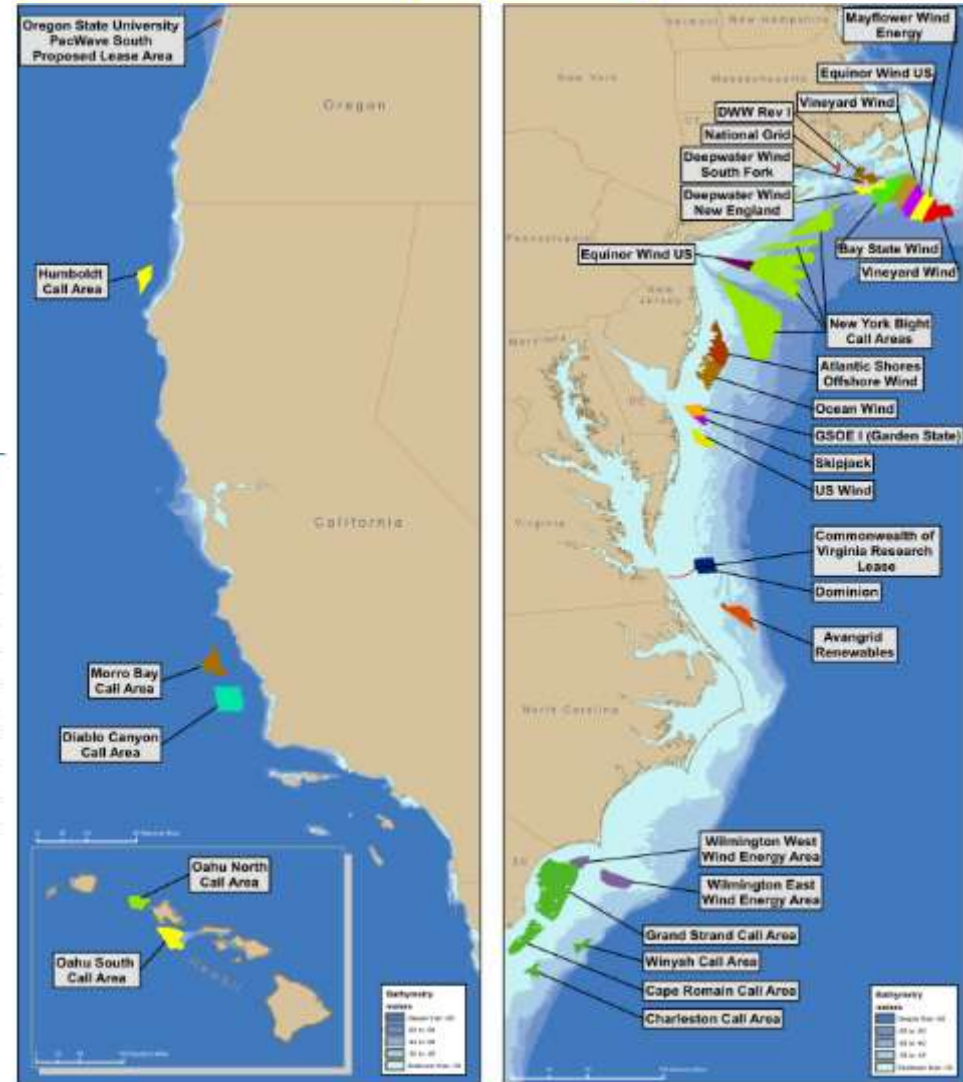
US Offshore Wind Installations plans to 2026

- ✦ US Offshore Wind installation takes on 2022
- ✦ 1.75 GW planned for 2023
- ✦ 3.6 GW planned for 2024
- ✦ 4.0 GW planned for 2025

Figure 3. xpected annual offshore wind installation by state, 2020-2026 (MW)



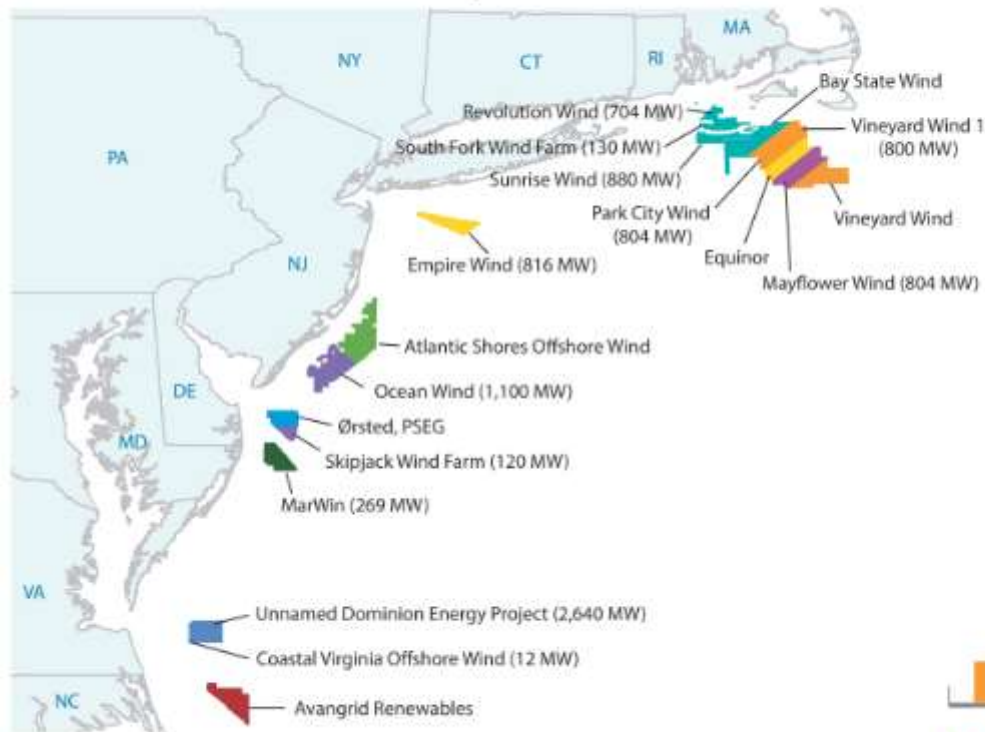
Source: GWEC Market Intelligence, March 2020



East coast states plans more Offshore Wind

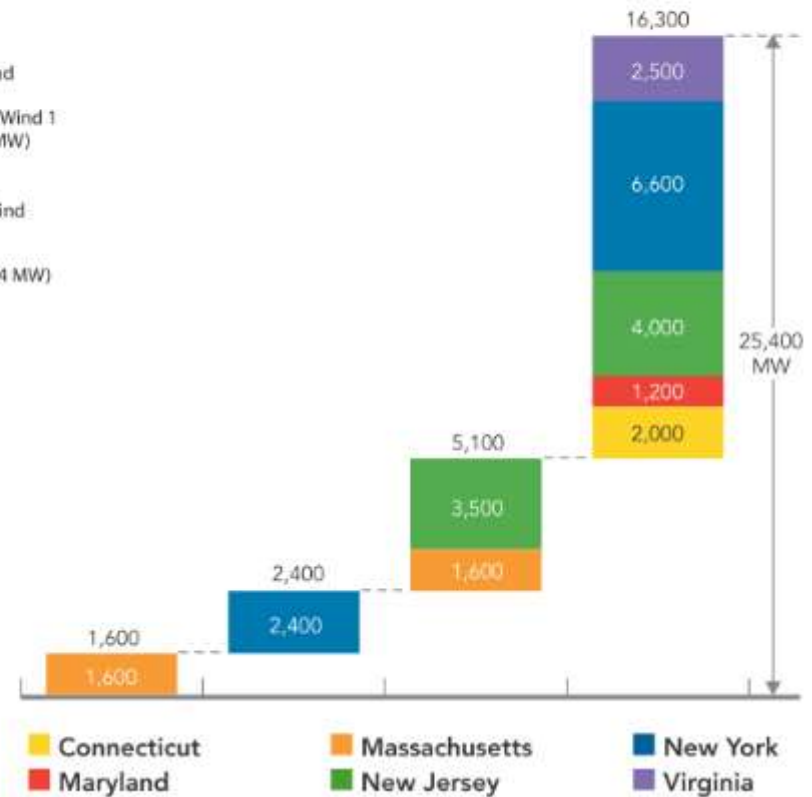
Offshore wind power continues to build momentum as states target over 25 GW of offshore wind after announcing over **16 GW of new targets in 2019**. Developers now plan to bring 9 GW of offshore wind online by 2026.

East Coast Offshore Wind Projects and Lease Areas



Note: Labels reflect the project name for projects that have secured offtake, otherwise the lease owner is listed.

Offshore Wind State Targets



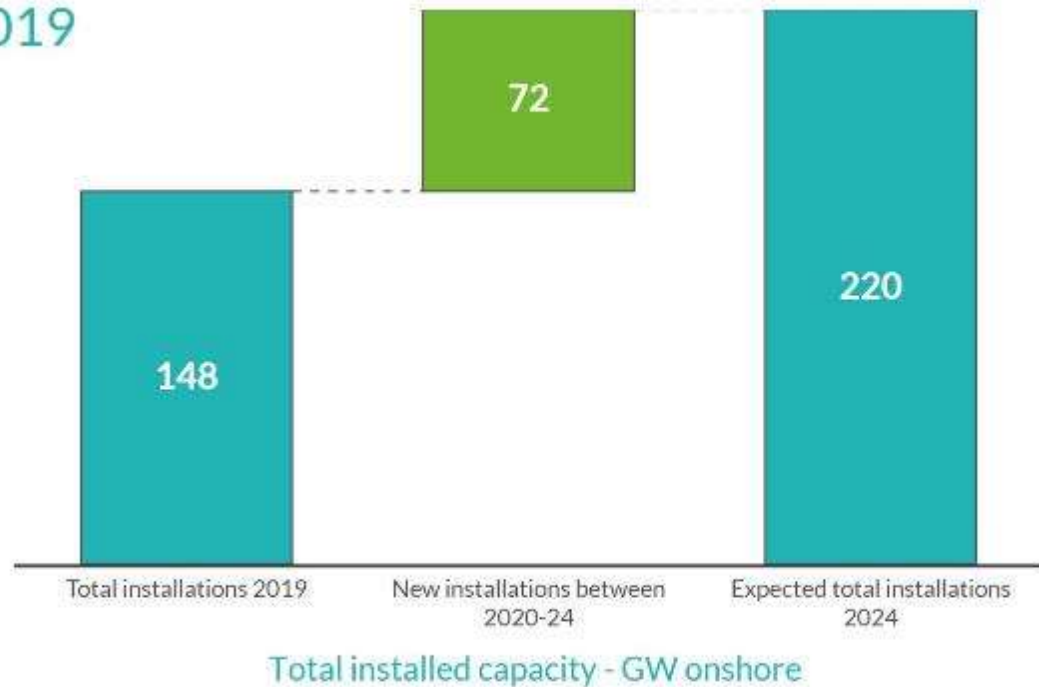
Onshore Wind enjoys 8% annual growth for next 5 years



WINDSIGHTS
The Americas in 2019

“

GWEC forecasts over **220GW** new capacity will be added between 2020 to 2024 in the Americas.



Chinese onshore wind market have high expectations

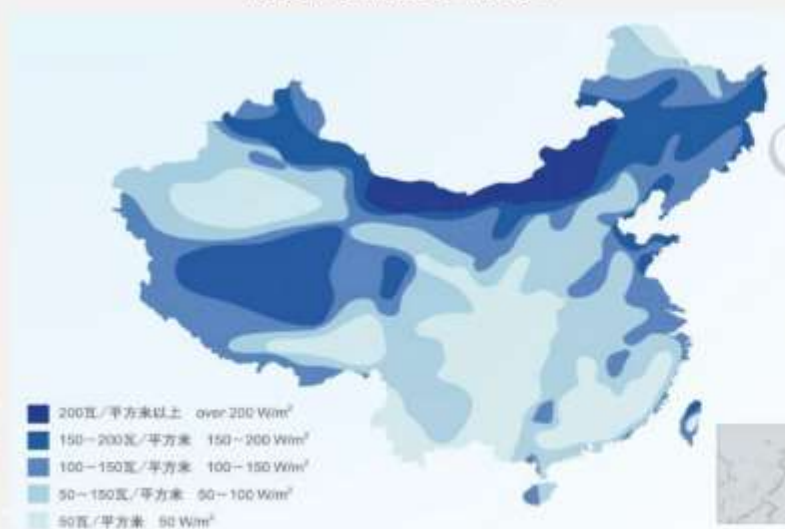
✧ Potential 300 GW new onshore wind to be installed between 2021-2025

(二) 电源装机规划：风电



2019年，我国风电装机2.1亿千瓦，预计2020年投产0.4亿千瓦。“十四五”规划投产2.9亿千瓦，2025年规划风电装机达到5.4亿千瓦（其中海上风电装机约3000万千瓦），年均增加超过5000万千瓦。2025年西部、北部地区风电装机占比58.8%。

我国风资源分布示意图

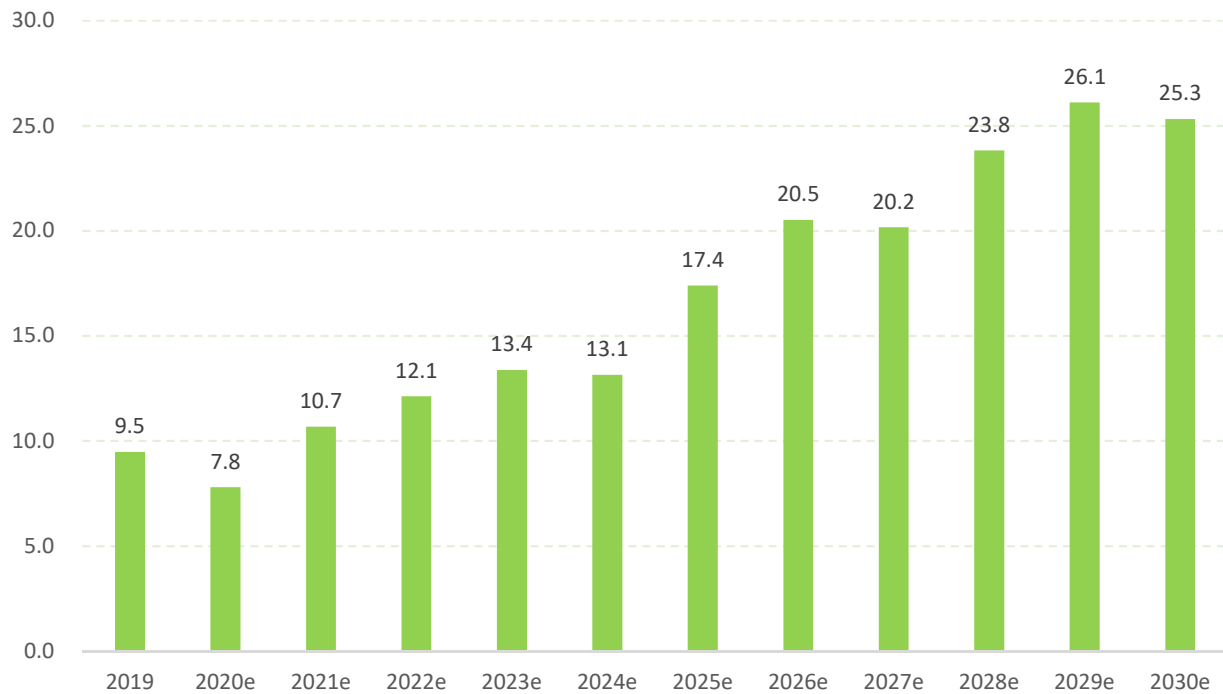


“十四五”风电装机规划及分布（单位：万千瓦）

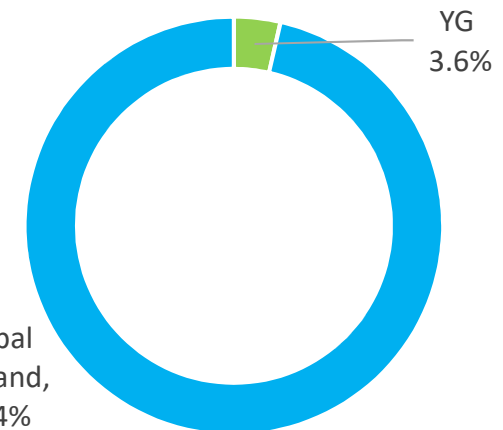
类别/区域	2019年		2025年	
	容量	占比	容量	占比
装机合计	20915	—	53602	—
陆上风电	20318	97.2%	50602	94.4%
海上风电	597	2.8%	3000	5.6%
开发方式				
集中式	20205	96.2%	50602	94.4%
分散式	800	3.8%	3000	5.6%
区域分布				
西部、北部	13620	64.8%	31526	58.8%
东中部	7385	35.2%	22076	41.2%

Global Offshore Wind casting demand grows faster than Yeong Guan's Capacity

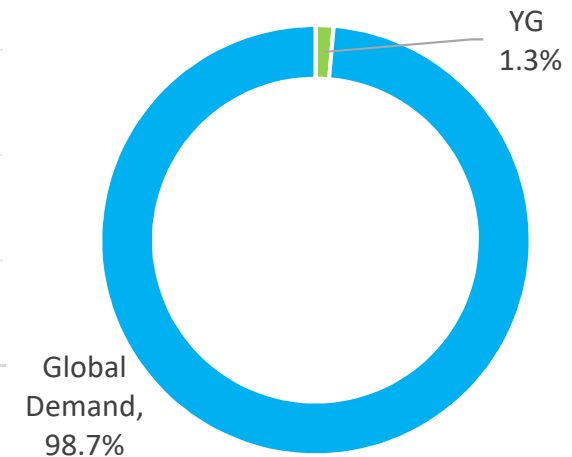
- ✦ Consider 1GW of Offshore Wind demands approx. 12,000 tons of castings, then the global annual demand for offshore wind castings will increase from 95,000 tons in 2019 to 253,000 tons by 2030
- ✦ Yeong Guan produced 3,400 tons of offshore wind castings in 2019, which is 3.6% of the market, or just 1.3% of the market in 2030.



Market Share Model (2019)



Market Share Model (2030)



Sustainable Development

Investing in State-of-the-Art Production Facilities

- ✦ **Lead the Industry in Environment, Health and Safety (EHS) Best Practices**
 - Several of our plants have earned recognition from local regulatory authorities.
 - EHS qualification is required to gain long-term order flows from Tier 1 MNCs.
 - The installation of high standard, environmental friendly equipment enhances our cost-competitiveness
- ✦ **The Green Supplier Initiative (GSI) :** We aim to be one step ahead of new national & global standards for emissions reduction, environmental protection, and energy efficiency
- ✦ **Optimizing Lean Production:** Improve efficiency
- ✦ **Implementing Manufacturing Execution Systems (MES):** Enables transparency in production data, as well as advanced quality assurance and data analysis capabilities.

As the bar for EHS standards is lifted higher, Yeong Guan will be able to further differentiate ourselves from 2nd and 3rd tier players.

Thank you for your consideration!



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