Safety First ◆ Quality ◆ Speed ◆ Teamwork ◆ Excellence

Yeong Guan Group (1589 TT)

October 2018

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YEONGGUAN GROUP

Our Transformation Plan and Goals

- Yeong Guan Group is a 1st source supplier of ductile iron castings to Tier 1 global equipment manufacturers in a wide range of industries. Our customers can be divided into three categories by product application – energy, injection molding machines and industrial machinery.
- In 4Q17, Yeong Guan suffered its first loss since being established due to unfavorable external factors.
- More than two years ago, we launched a transformation plan that targets high growth industries & a balanced product mix. The industry trend toward larger products is working to our advantage; and the certification process with targeted high quality customers is well under way.
- We also recently updated our internal management system, reorganized company SOPs, and continue to pursue long-term, sustainable profit growth. We have been a leader in our investment in EHS, and this work has been recognized by both the local government and our customers. We have also upgraded our technical capabilities and production efficiency in a more data oriented and systematic way.
- By constantly transforming and enhancing our core strengths, Yeong Guan Group is confident in our ability to face future challenges and leverage opportunities as we build on our position as a world-class manufacturer and service provider for high-end equipment.

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SECTION ONE

OUR TRANSFORMATION PLAN

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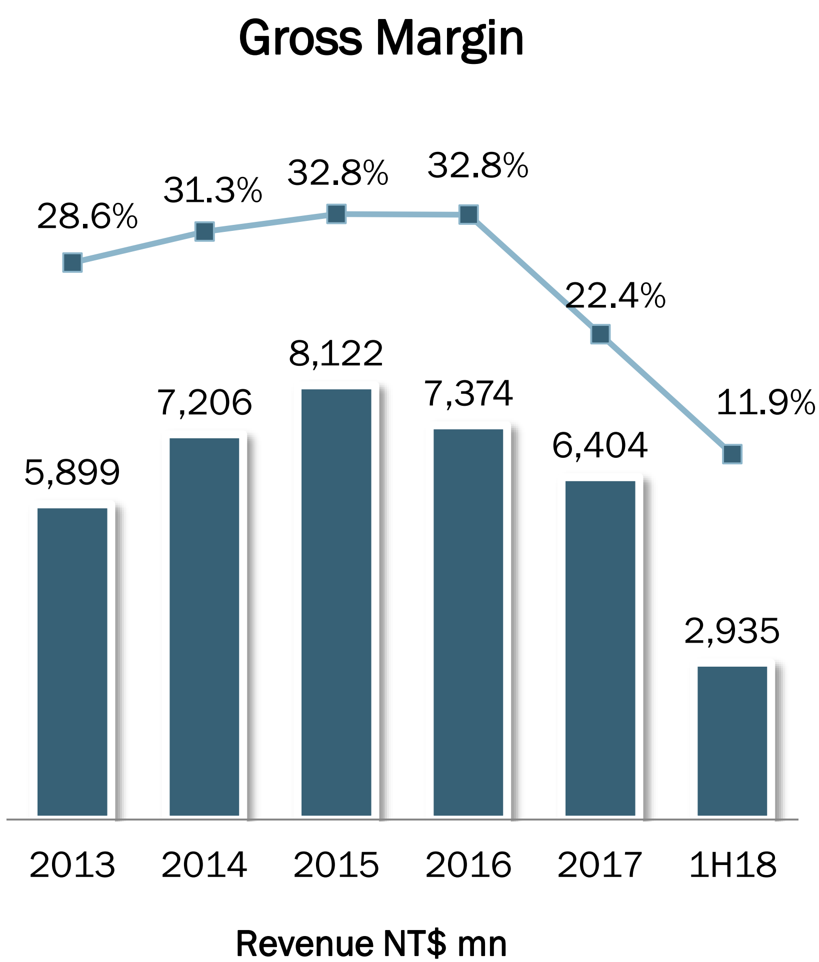
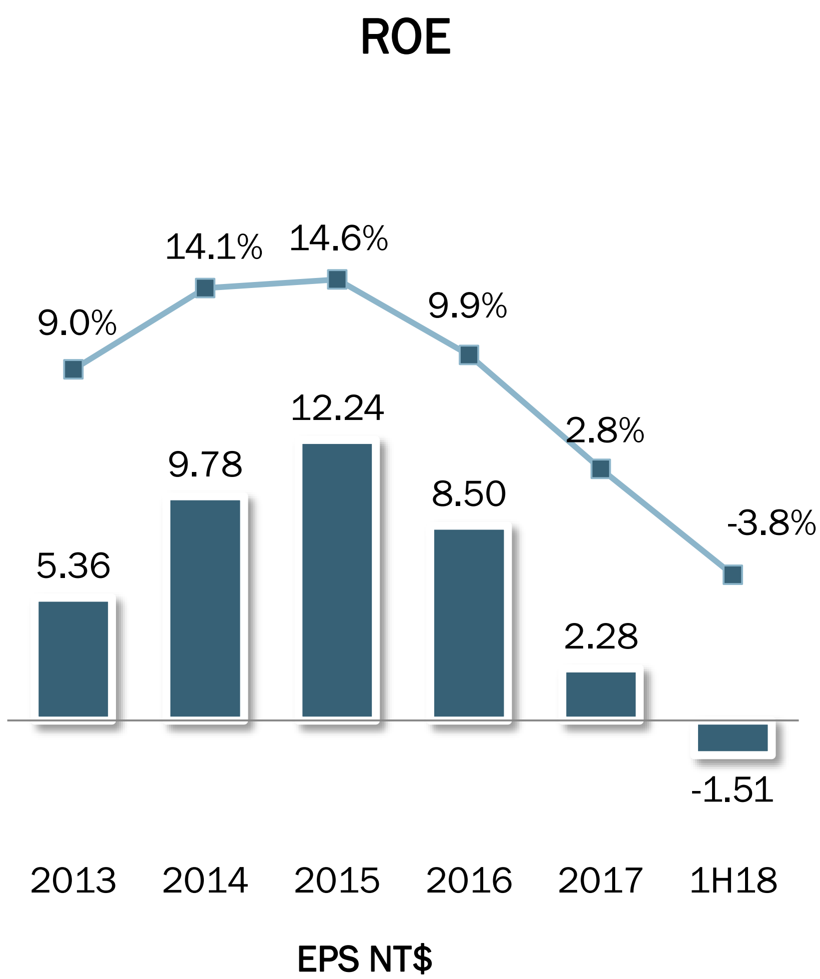
Our First Loss Since YGG's Founding





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How We Respond to Challenges

Challenges	Response Strategies

Challenges

Rapid change in industry demand:

- Fast-changing demand for on-shore wind energy
- Industry trend towards large-size products happening faster than originally projected
- Shifts in supply chain structure due to the China-US trade war
- Shorter product life cycle and order visibility

Changing environmental protection and urban planning regulations:

- Environmental regulation
- Safety regulation
- Foundry Industry regulation
- Urban planning

Increasing client demands regarding ESG and sustainability:

- Improve data and market trend analysis
- Speed up new product development
- Optimize production efficiency based on ESG best practice

Response Strategies

- Spotlight on high-growth industries and a focus on acquiring more Tier 1 customers
- Balance revenue mix by applications
- Capacity shift towards large-sized products and a higher level of automation
- Lead the industry in EHS investment
- Launch the Green Supplier Initiative (GSI)
- Implement Manufacturing Execution Systems (MES)
- Optimize Lean Production
- Cultivating a new generation of managers
- Enhance total solution service capability
- Respond to adjustments in government policy proactively and pragmatically

It is more difficult to make changes when client demand is high and output is being ramped up quickly. We are taking the opportunity now to upgrade management systems and enhance our core strengths.

Spotlight on High-Growth Industries

Injection Molding Machines | **Industrial Machinery** | **Energy**

New Energy Vehicles

- New energy vehicles and the trend towards lighter cars are driving increased demand for injection molding machines, die casting machines, stamping machines, and molds.
- Our strong customer relationships, consistent quality, and large scale are a distinct competitive edge.

China Domestic Demand

- Public infrastructure

Supply Chain Shifts

- The US-China Trade War may lead to new business opportunities.

The Trend Towards Greater Automation

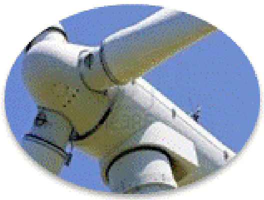
- Driving secular demand growth for air compressors, machine tools and machining centers, etc.

Off-Shore Wind Energy Products

- We see opportunities in the wind power infrastructure industry in Taiwan and the Asia-Pacific region.
- We have a competitive advantage in this area due to our locally-based production and the high entry barrier in technology.

We are in the certification process with Tier 1 producers of Injection Molding Machines, and are seeing positive initial results from Industrial Machinery customers, such as Marine-use Machinery. Demand from Wind Energy is recovering, and we are likely to see more meaningful growth momentum in this sector when our new large-size product capacity is ready.

Acquiring More Global Tier 1 Customers



Energy

Injection Molding Machine

Industrial Machinery

acciona Windpower
SIEMENS Gamesa
ZF
NORDEX We've got the power.
ENVISION

KraussMaffei
ENGEL be the first.
NISSEI
MILACRON Manufacturing Technologies
Sumitomo SHI DEMAG
Wittmann Battenfeld

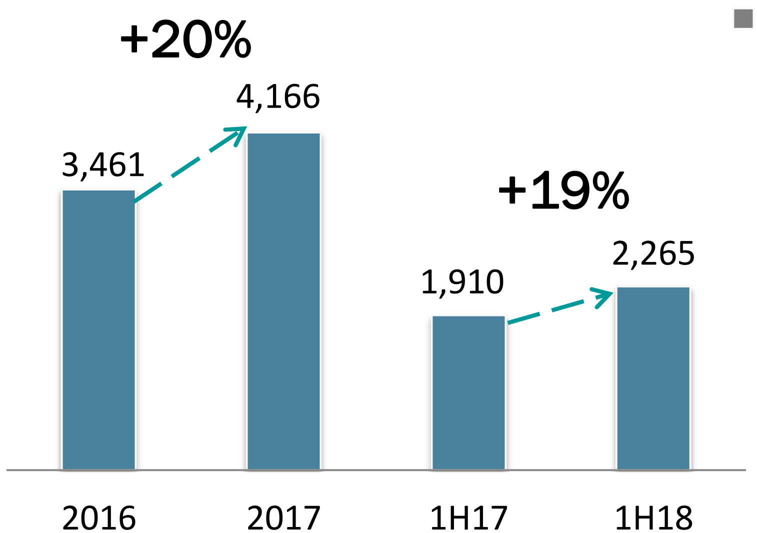
ELEKTA
Atlas Copco
BOBST
CATERPILLAR
SACMI
HAAS

We aim to become the go to supplier for Tier 1 global clients for joint product development, manufacturing product design and manufacturing.

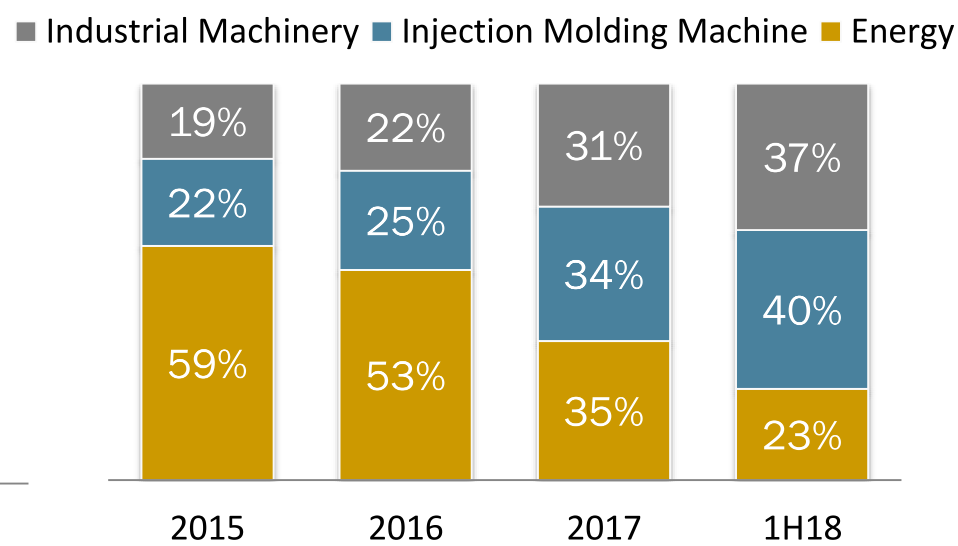
Targeting a Balanced Product Mix

The Non-Energy Business has shown strong growth since 2017

We have achieved greater balance in product mix by application



Non-energy product revenue (NT$ mn)



Revenue by Application

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Our New Taichung Plant

Focus on Large-Sized Products and Enhanced Automation

- **Timeline:** Targeting a 2019 ground-breaking and completion by year-end 2020
- **Capacity plan：** Large-size products and greater automation, energy and non-energy products
- **Product Development Plan:** Develop new products at YGB Liyang first to expedite certification once the Taichung plant is completed.
- **Advantages:**
  - The Taiwan government and key Tier 1 clients are very supportive
  - The plant is located next to the port, providing optimal shipping capabilities for large-size castings
  - Favorable land rental agreement

We plan to invest in plant equipment capable of producing large-size products while maintaining financial discipline and staying focused on ROI.

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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 their 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
- **Implementing Manufacturing Execution Systems (MES):** Enables transparency in production data, as well as advanced quality assurance and data analysis capabilities.
- **Optimizing Lean Production:** Improve efficiency


荣誉证书

宁波永祥铸造有限公司：

荣获“中国绿色铸造示范企业”荣誉称号。

（有效期：四年）

证书编号：QL-18-1-005

中国铸造协会

二〇一八年五月

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

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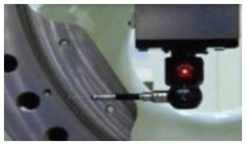
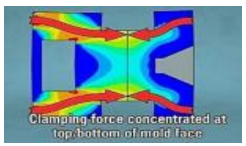
Extending Our Technical Edge



Superior Quality

- Several decades of professional experience
- Excellent quality, reliability, and durability



Materials Science Know-How

- Over 30 chemical elements can be monitored simultaneously
- Ability to deal with high standard and special materials

Advanced Proprietary Equipment Knowledge

- Design and select proprietary production equipment
- Able to automate equipment through redesign and modification
- Continue to invest in high-end, extra large size, sophisticated & automated equipment for large-size products

Outstanding Production Management

- Immediate response to line/mold changes
- Small-volume, large-variety production in response to rapid changes in customer demand
- Modularized design and optimized production areas

To strengthen our technical skills and raise production efficiency, we have focused on improvement in quality, lean production, and employee training and have implemented Industry 4.0 and MES programs.

The Source of Our Technical Edge

Case Study #1: Joint Design

- We are one of the very few firms that can co-design products with our customers and offer improvements.
- We recently reduced the weight of a customer product by 25%. As a result, the customer was able to significantly increase sales of the product, while at the same time reducing production costs.

Case Study #2: Large & Sophisticated Equipment

- Amongst China-based producers, we own the most sophisticated inspection equipment, allowing YGG to manufacture within specification tolerances that are much tighter than those offered by our competitors.
- Several pieces of our machining equipment are the largest in China, producing a considerable entry barrier for competitors to overcome.
- Aside from the higher capital requirements for equipment of this nature, it takes more than 2 years from order placement to installation, precision tuning & operation.

Total Solution Provider

Vertical and Horizontal Integration

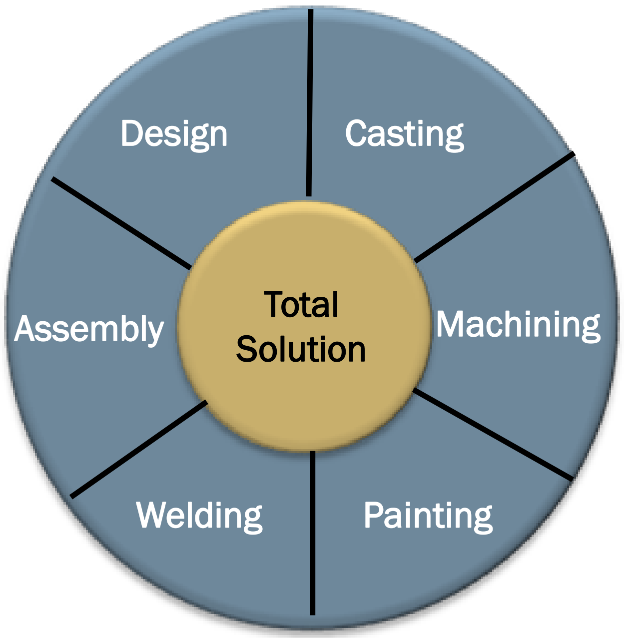
- We provide one-stop shopping for customers
- Our services include mold design, casting, welding, painting, machining and assembly.

Scale advantage

- Our production capacity is close to 200,000 tpa, allowing customers to use a single supply source

Regional advantage

- Located closer to customers, enhancing logistics



We continue to enhance and expand our back-end processing capabilities – such as machining and assembly. Additionally, the completion of the Taichung plant will provide geographic diversification of our production base, extend our advantages in scale & customer proximity.

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A Pragmatic and Proactive Response

YGG will relocate YGB Liyang to comply with the urban redevelopment plans of the local government

- We are working with local authorities to achieve the best possible outcome
- We are negotiating a relocation compensation agreement with the local government
- Relocation is expected to take 3 years
- YGG will take this opportunity to optimize plant design, enhancing output and energy efficiency
- The new location may be more convenient for water transport of larger products

The timeline for building new plants has become longer and the process more complex in recent years. This increases the complexity of our business but also significantly raises barriers to entry for our competitors.

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Our Goals

World-Class

- Strengthen our position as a world-class manufacturer and total solution provider for Tier 1 producers of high-end equipment

Sustainable Growth

- Invest in Sustainability & Safety
- Nurture and Develop Human Capital

Robust Financial Performance

- Achieve annual revenue growth greater than the industry average
- Improve ROE

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SECTION TWO

COMPANY BACKGROUND

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Yeong Guan at a Glance

Since 1971

With close to half a century of casting experience, we trace our roots back to Yeong Chen Asia Pacific (YGA Taipei), which was founded in 1971. Our current headquarters is located in Ningbo.

145 k tonnes

We shipped over 145,000 tonnes in 2017. With 6 manufacturing centers and over 2,300 employees, we have a competitive advantage in scale and geographic location.

NT$ 6.4 bn

2017 Revenue was NT$6.4bn, or US$207mn.

Tier 1 global customers

We sell to over 100 customers, most of whom are global Tier 1 manufacturers of high-end equipment.

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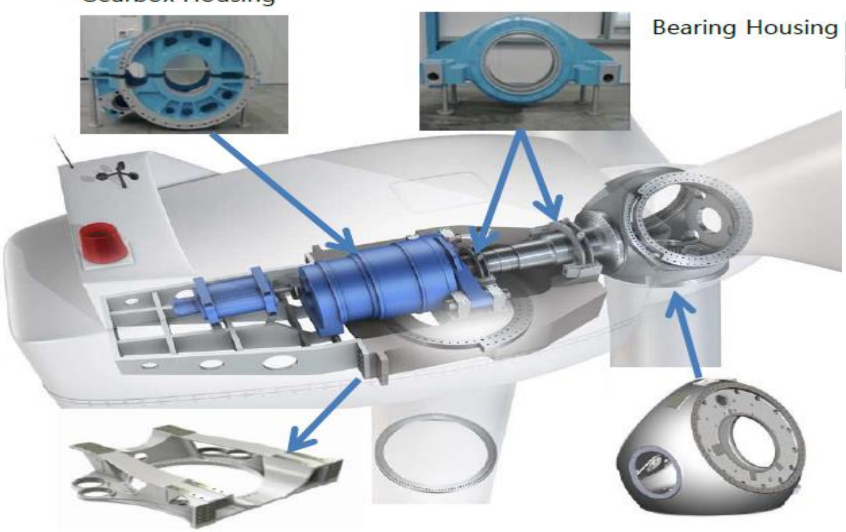
A Wide Range of Applications

Energy



Injection Molding Machine

Industrial Machinery


Air Compressor


Bolt & Nut Forming Machinery


Gear Machinery


Printing Machinery

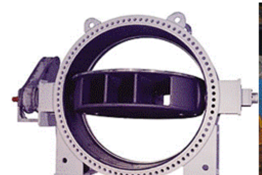

Mechanical Press

Rubber Machinery

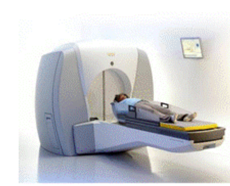

Paper Mills


Tile Machinery


Cement Equipment

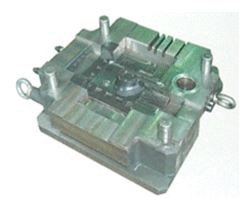

Control Calve

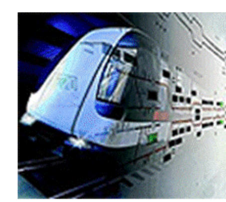

Gear Box


Medical Equipment


Stamping Mold


Machining Center


Die Casting Mold


Transportation

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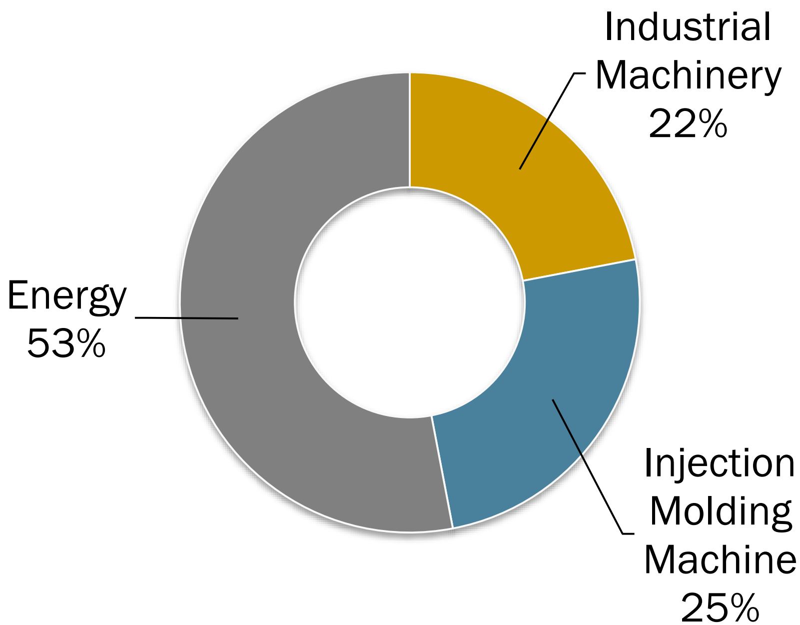
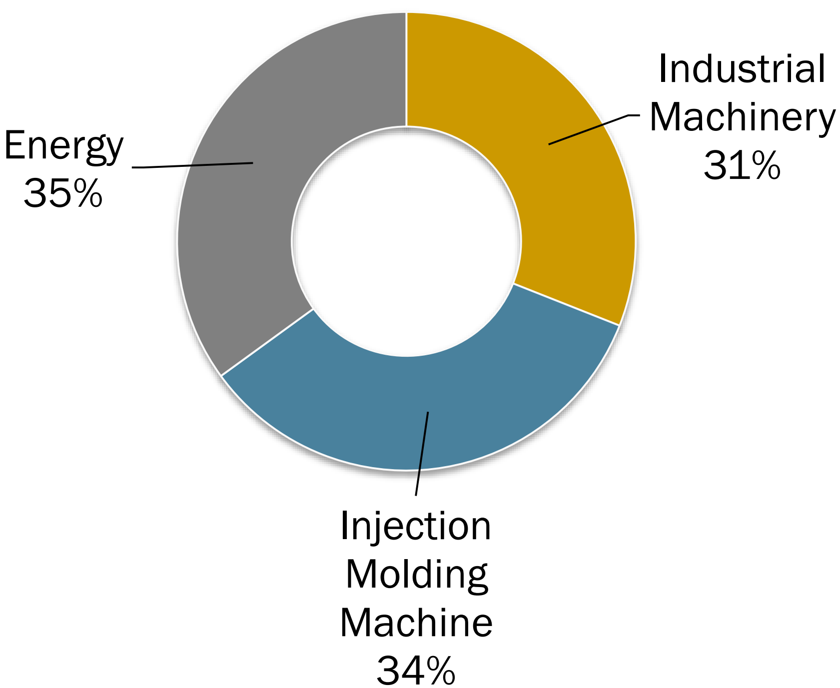
Diversified Revenue Stream

2016 Revenue Mix by Application (%)



2017 Revenue Mix by Application (%)



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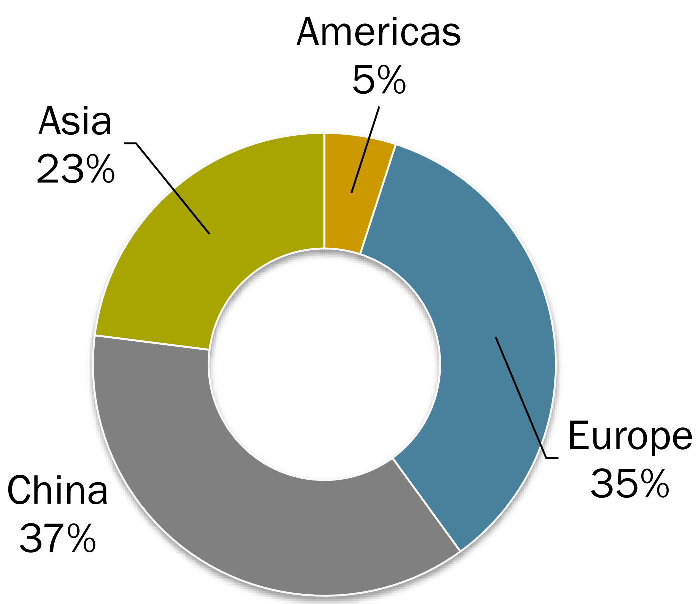
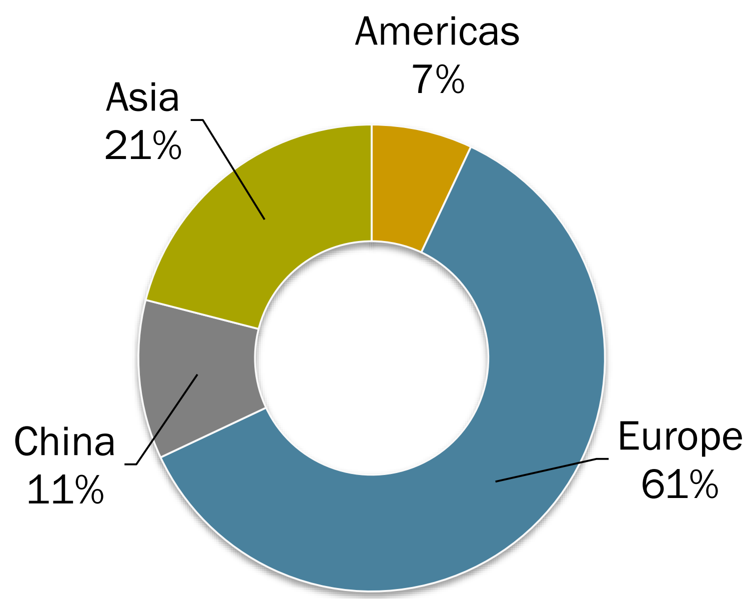
A Focus on Overseas Customers

1H18 Revenue by Region (%)



1H18 Revenue by Region of Customers' Parent Company (%)



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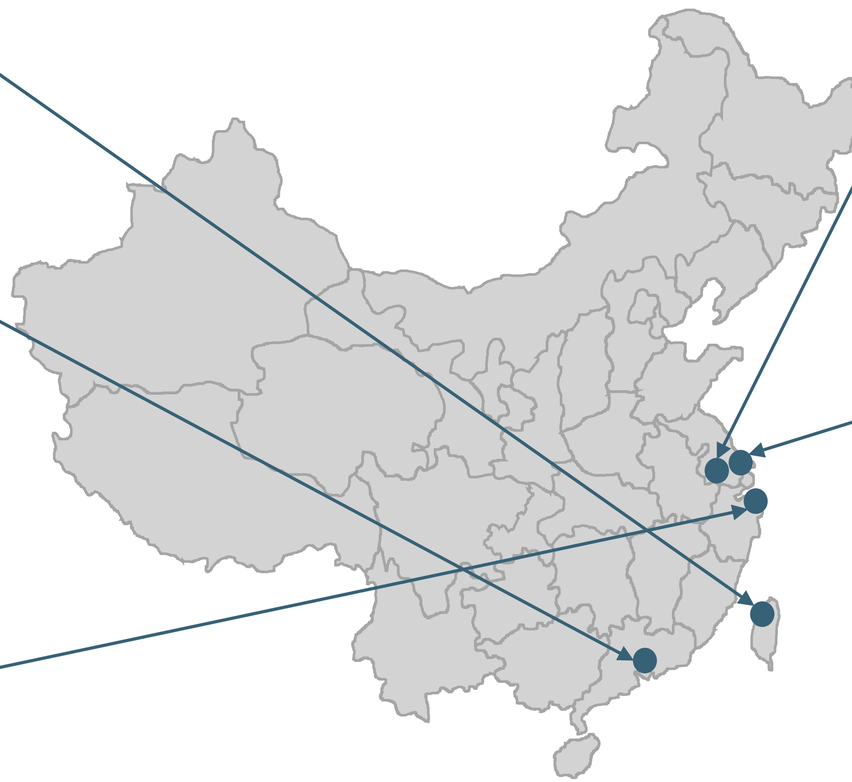
Our Production Sites

YGA Taipei
- Product/Service: Casting
- Employee: 101
- Plant Area: 1,829 m^2
- Since 1971

YGD Dongguan
- Product/Service: Casting
- Employee: 158
- Plant Area: 15,015 m^2
- Since 1995

YGS Ningbo
- Product/Service: Casting, Machining
- Employee: 701
- Plant Area: 93,072 m^2
- Since 2000

YGL Ningbo
- Product/Service: Casting
- Employee: 328
- Plant Area: 27,288 m^2
- Since 2006



YGB Liyang
- Product/Service: Casting, Machining
- Employee: 802
- Plant Area: 120,239 m^2
- Since 2008

YGW Jiangsu
- Product/Service: Casting
- Employee: 241
- Plant Area: 36,401 m^2
- Since 2016

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*As of 3Q18

SECTION THREE

FINANCIAL PERFORMANCE

Income Statement

NT$ Million	2013	2014	2015	2016	2017	1H18	YoY(%)				
							2014	2015	2016	2017	1H18
Sales Revenue	5,899	7,206	8,122	7,374	6,404	2,935	22.2	12.7	(9.2)	(13.1)	(6.2)
Gross Profit	1,687	2,258	2,668	2,419	1,432	349	33.8	18.2	(9.3)	(40.8)	(57.4)
Operating Profit	862	1,349	1,516	1,144	295	(173)	56.5	12.4	(24.5)	(74.2)	-
Income before Tax	730	1,321	1,789	1,325	342	(155)	81.1	35.4	(25.9)	(74.2)	-
Net Income to Parent	541	1,002	1,351	1,008	270	(171)	85.2	34.8	(25.4)	(73.2)	-
EPS (NT$)	5.36	9.78	12.24	8.50	2.28	(1.51)	82.5	25.2	(30.6)	(73.2)	-

Key financial ratio (%)

Gross Margin	28.6	31.3	32.8	32.8	22.4	11.9
Operating Margin	14.6	18.7	18.7	15.5	4.6	(5.9)
Net Margin	9.2	13.9	16.6	13.7	4.2	(5.8)
Opex ratio	14.0	12.6	14.2	17.3	17.7	17.8

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Balance Sheet

NT$ Million	2013	2014	2015	2016	2017	1H18	YoY(%) 2014	YoY(%) 2015	YoY(%) 2016	YoY(%) 2017	YoY(%) 1H18
TOTAL ASSETS	**9,506**	**11,678**	**15,590**	**15,052**	**14,483**	**14,780**	**22.9**	**33.5**	**(3.4)**	**(3.8)**	**1.2**
Cash	1,557	2,942	5,408	4,241	3,316	3,255	89.0	83.8	(21.6)	(21.8)	(13.9)
NR & AR	1,938	1,994	2,483	2,186	2,026	2,070	2.9	24.5	(11.9)	(7.4)	(2.9)
Inventory	1,106	1,411	1,304	1,261	1,256	1,308	27.6	(7.6)	(3.3)	(0.4)	6.0
Fixed Asset	4,021	4,310	5,252	5,701	6,279	6,399	7.2	21.9	8.5	10.1	7.3
TOTAL LIABILITIES	**3,207**	**3,621**	**4,935**	**4,974**	**4,768**	**5,789**	**12.9**	**36.3**	**0.8**	**(4.2)**	**14.7**
Bank Loans	1,789	412	500	620	614	1,761	(77.0)	(21.5)	23.9	(1.0)	170.5
NP & AP	977	1,200	1,134	1,098	1,136	937	22.8	(5.5)	(3.2)	3.5	(13.6)
TOTAL EQUITY	**6,299**	**8,057**	**10,654**	**10,078**	**9,715**	**8,990**	**27.9**	**32.2**	**(5.4)**	**(3.6)**	**(6.0)**
Common Stock	1,009	1,049	1,180	1,188	1,188	1,116	4.0	12.5	0.7	0.0	(6.1)
Book value per share	62.4	75.7	89.4	82.3	79.3	77.6					
A/R turnover days	103	100	101	116	120	126					
Inventory turnover days	89	93	91	94	92	96					
A/P turnover days	63	80	78	82	82	75					
ROE (%)*	9.0	14.1	14.6	9.9	2.8	(3.8)					

* ROE: Net income to parent/ average common equity

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Dividend

NT$ Million	2013	2014	2015	2016	2017
Net Income	541	1,002	1,351	1,008	270
Cash Dividend	353	667	1,004	386	171
Dividend per Share (NT$)	3.50	6.00	8.45	3.25	1.53
Cash Yield (%)*	2.4%	2.7%	4.7%	3.8%	2.8%
Payout Ratio (%)	65%	67%	74%	38%	63%

*Cash yield is based on Yeong Guan's closing share price on the day before ex-dividend day (June 23, 2014 for 2013 yield, June 30, 2015 for 2014 yield, July 12, 2016 for 2015 yield, July 12, 2017 for 2016 yield, and July 9, 2018 for 2017 yield).

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Quarterly Income Statement

NT$ Million	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Sales Revenue	1,913	1,999	1,715	1,748	1,435	1,694	1,732	1,544	1,273	1,662
Gross Profit	654	702	517	545	386	433	384	229	147	201
Operating Profit	390	372	180	202	107	156	90	(58)	(77)	(96)
Income before Tax	404	450	183	288	91	221	92	(63)	(50)	(105)
Net Income to Parent	297	329	159	223	71	199	64	(64)	(43)	(128)
EPS (NT$)	2.51	2.77	1.34	1.88	0.60	1.68	0.53	(0.53)	(0.37)	(1.15)
Revenue by Application (%)	**1Q16**	**2Q16**	**3Q16**	**4Q16**	**1Q17**	**2Q17**	**3Q17**	**4Q17**	**1Q18**	**2Q18**
Energy	61.6%	57.3%	49.7%	42.2%	39.4%	38.6%	37.1%	24.5%	23.6%	22.2%
Injection Molding Machine	22.7%	23.1%	28.2%	27.4%	31.0%	33.4%	36.2%	34.7%	40.8%	38.7%
Industrial Machinery	15.7%	19.6%	22.1%	30.4%	29.6%	28.0%	26.7%	40.8%	35.6%	39.1%

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SECTION FOUR

APPENDIX

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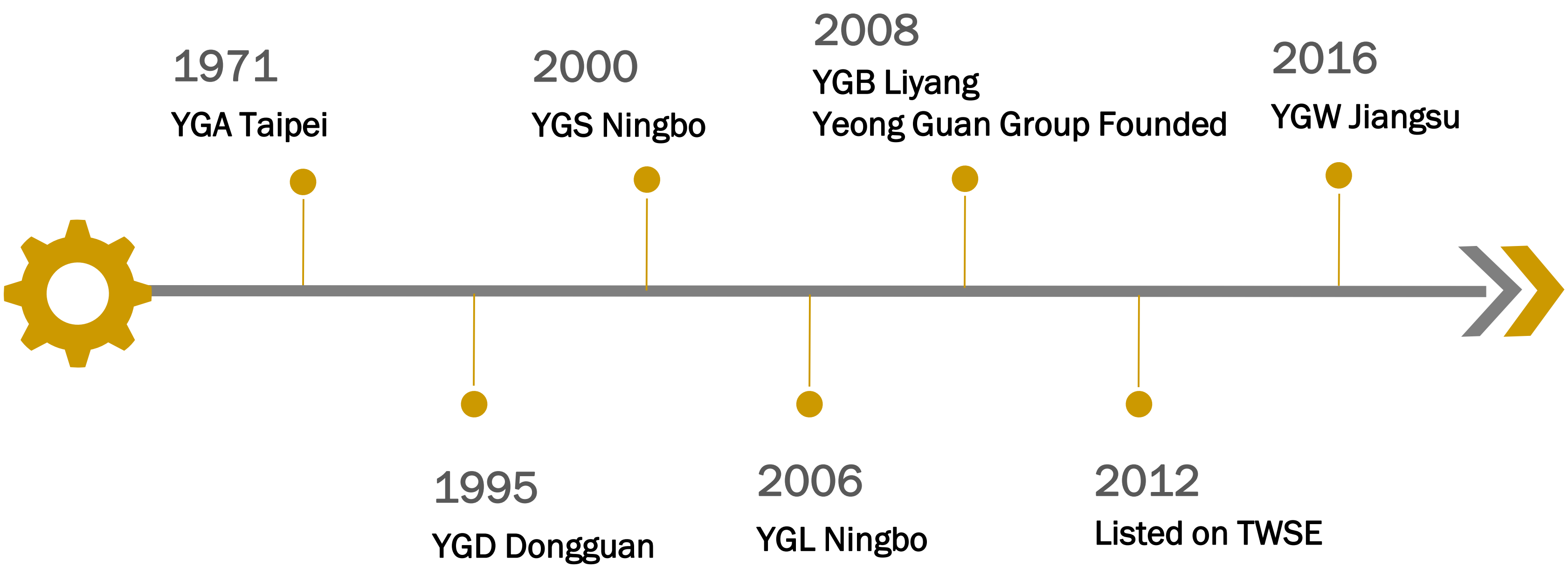
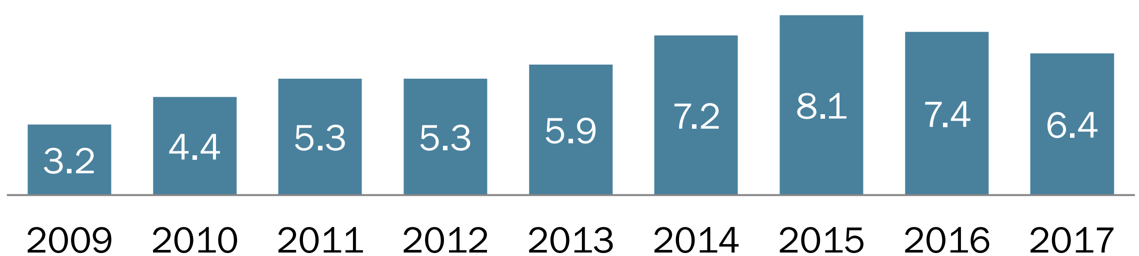
YGG Milestones



Revenue (NT$ bn)

2009-2017 CAGR = 9%



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Experienced Management Team

Hsien-Ming Chang
Founder and Chairman
Over 35-yrs experience
Chairman of YGG Co.

Wu-Chi Chen
Executive Vice President/Director
General Manager & Director of Dong-Guan YGD Co.
Over 40-yrs experience
Vice President of YGG Co.

Ching-Hsiung Hsu
General Manager of Ningbo YGS Co.
Over 40-yrs experience
Vice President of Chen-Hsing Industrial Co.

Vicky Lin
CFO
Over 10-yrs experience
Manager of Deloitte

Andy Tsai
Vice Chairman
Over 40-yrs experience
General Manager of Shieh-Yih Machinery Co.
Metal Industries R&D Center

Amigo Huang
Executive Vice President/Director
General Manager of Liyang YGB Co.
Over 35-yrs experience
COO of Taiwan Express

Rui Guo
Vice President, R&D Director
Over 20-yrs experience
Engineer of Jiang-Dong Machinery Co.

Tai-Fon Lin
General Manager of Ningbo YGL Co.
Over 20-yrs experience
Vice President of GS Machinery Co.

Experienced Management Team

Simon Yu
General Manager of Jiangsu YGW Co.
Over 20-yrs experience

Ching-Chung Huang
Vice President of Dong-Guan YGD Co.
Over 30-yrs experience
Manager of Lioho Machine Works, Ltd.

Li-Sheng Liang
Vice President of Casting Division at Liyang YGB Co.
Over 15-yrs experience

Zhen-Jiang Fang
Vice President of Machining Division at Ningbo YGS Co.
Vice President of Machining Division at Liyang YGB Co.
Over 20-yrs experience

Leo Liu
AGM of Sales Division
Over 10-yrs experience

Richard Lee
AGM of Sales Division
Over 10-yrs experience

The Casting Process

Pattern construction
(if needed)

Molding/Assembly

Pouring

Shake-out/Cleaning/
Inspection

Thermal treatment
(if needed)

Machining
(if needed)

Painting
(if needed)

CMM Inspection

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