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Yeong Guan Group
(1589 TT)

August 2019





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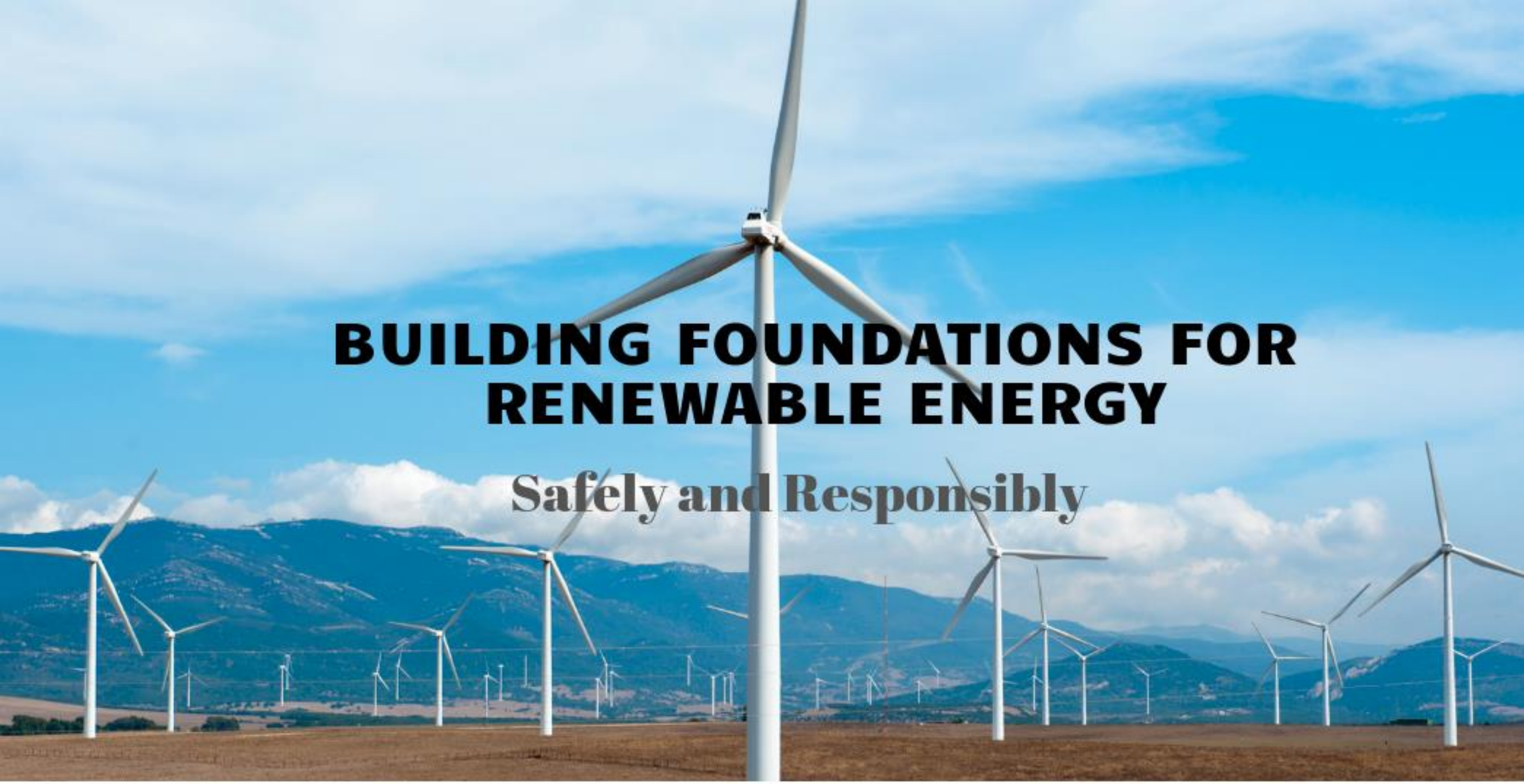

We are a 1st source supplier of ductile iron castings to Tier 1 global equipment manufacturers in the renewable energy, injection molding machine and industrial machinery industries.

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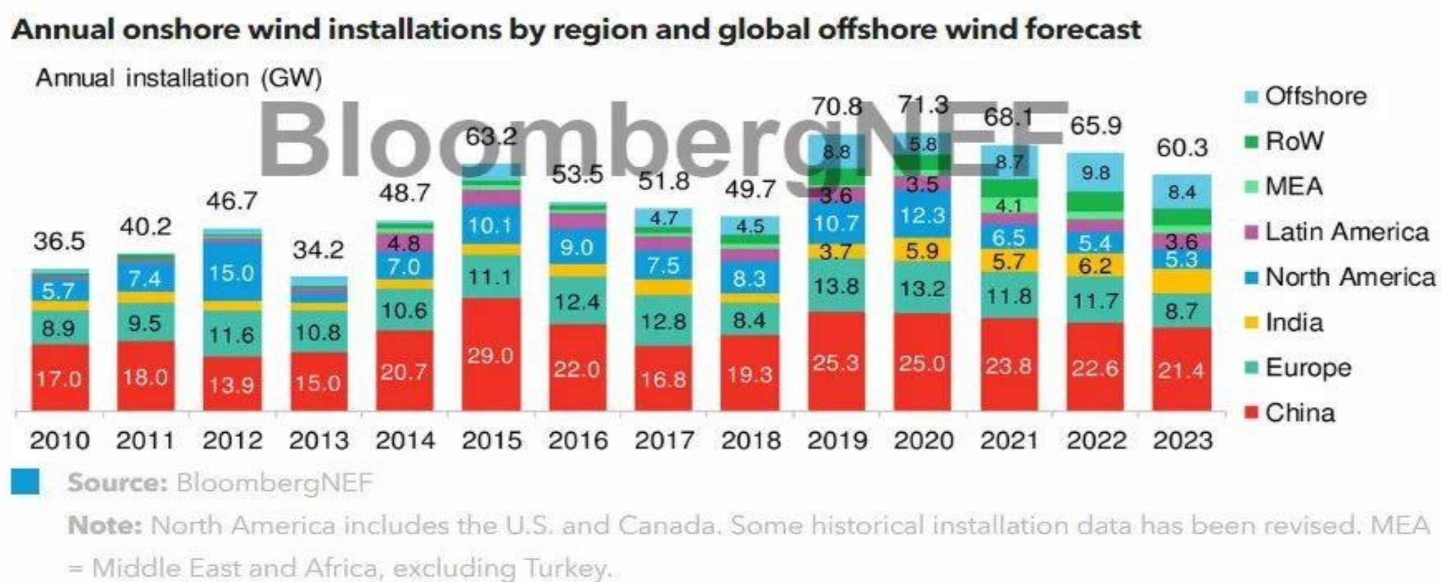
Positive Progress in 2Q19

- Three straight quarters of double digit YoY sales growth.
- 2Q19 Renewable Energy-Related sales up 153% versus the same period last year.
- Operating margin turned positive for the first time since 3Q17 and improved to 2.4% versus -5.8% in the same quarter last year.
- Net Margin also positive for the first time since 3Q17 and improved to 1.0% versus -7.7% in the same quarter last year.

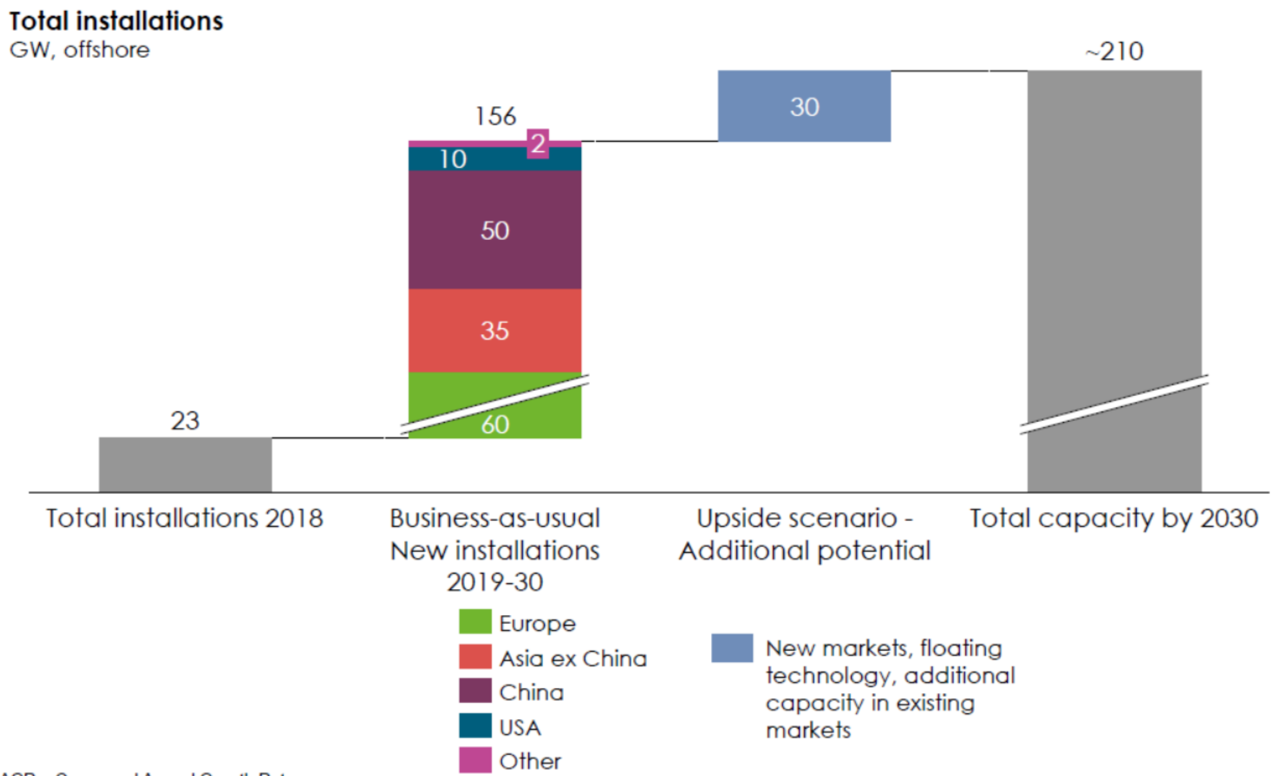
Global Wind Market Trends

- BNEF expects onshore wind installations to reach over 60GW in 2019 and over 65GW in 2020.
- Unsubsidized Wind Energy Installation Opportunities: The first batch of unsubsidized wind energy installation projects announced by China's National Energy Administration reached total of 4.5GW, equivalent to 6% of BNEF's Total Global Installation Forecasts for 2019. This signals the start of a rapid transformation in China's Wind Energy project strategy. New onshore projects will no longer be subsidized by the government. BNEF expects developers will have a high level of interest in these unsubsidized projects.
- Offshore Wind is expected to replace Onshore wind, becoming the next growth driver.



Global Offshore Market Trends

- According to GWEC, total global installations in offshore wind energy capacity in 2018 were 23 GW. GWEC expects cumulative new offshore wind energy installations to reach 156 GW between 2019 to 2030; with an extra 30GW upside from installations in new markets, floating technology and additional capacity in existing markets.



* CAGR = Compound Annual Growth Rate
Source: GWEC Market Intelligence, May 2019

2Q19 Highlights

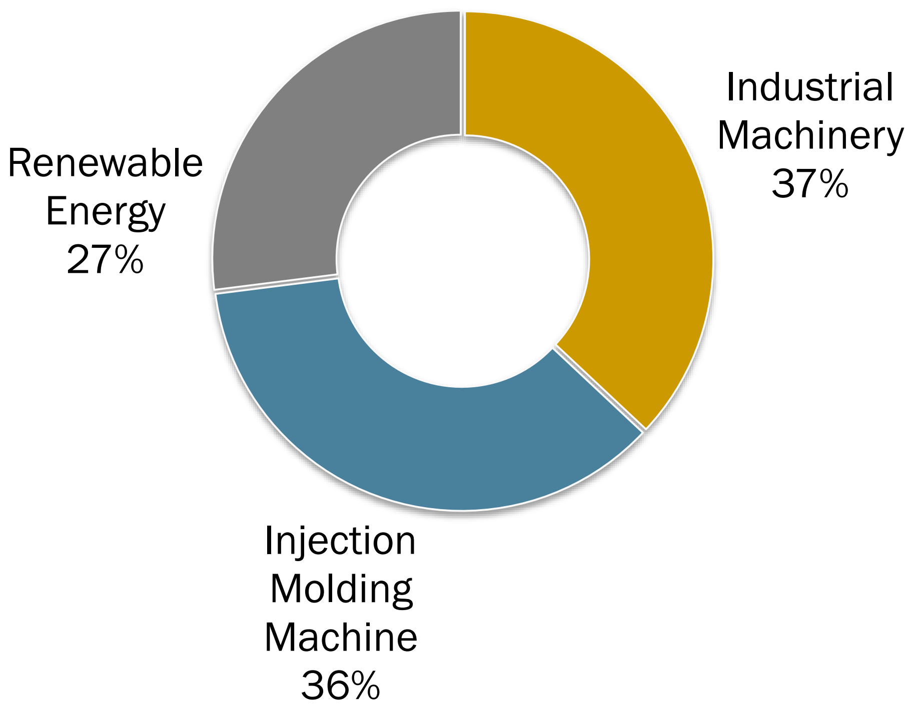
- 2Q19 consolidated revenue was NT$1,951 million, up of 26% QoQ, and up 17% YoY.

- 2Q19 gross margin was 15.6%, up 1.6pp versus 14.0% in 1Q19, and up 3.5pp versus 12.1% in 2Q18. 2Q19 operating margin was 2.4%, up 4.8pp versus -2.4% 1Q19, and up 8.2pp versus -5.8% 2Q18.

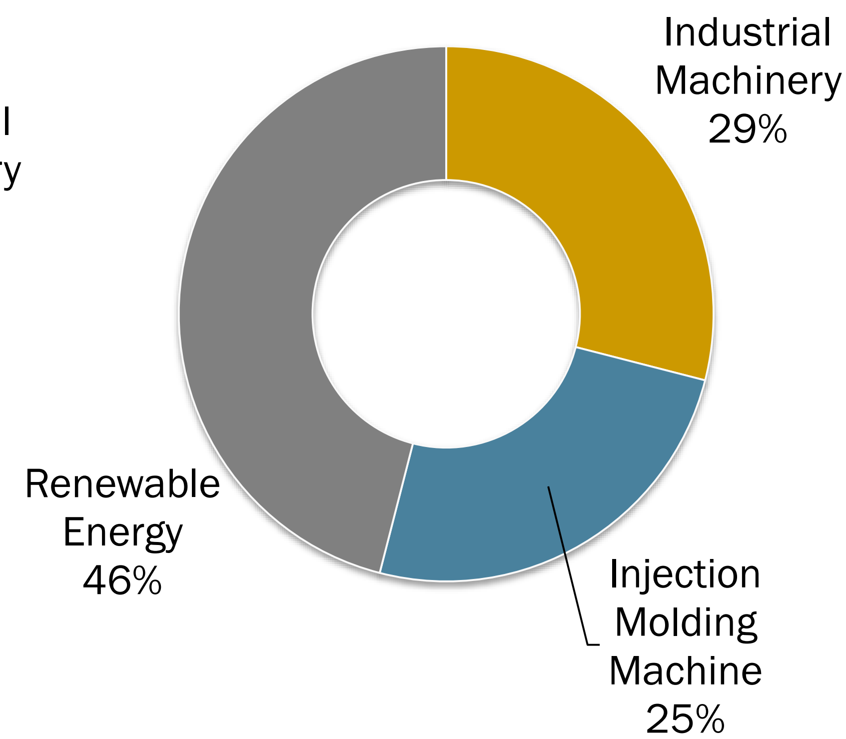
- 2Q19 net profit was NT$ 19 million versus a net loss of NT$ 106 million in 1Q19 and a net loss of NT$ 129 million in 2Q18. 2Q19 EPS was NT$ 0.18 versus 1Q19 EPS of NT$ -1.00 and 2Q18 EPS of NT$ -1.15.

Revenue Mix by Application

2018 Revenue Mix by Application(%)



2019 H1 Revenue Mix by Application (%)



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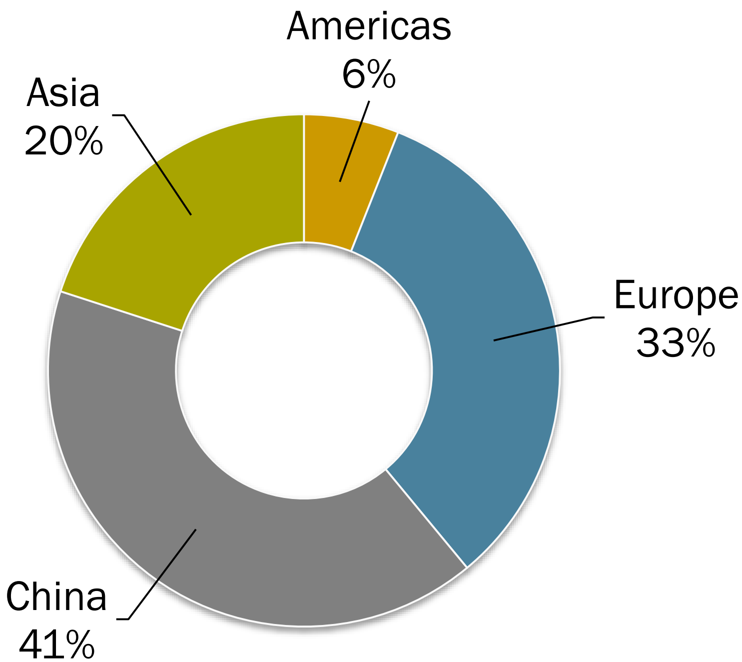
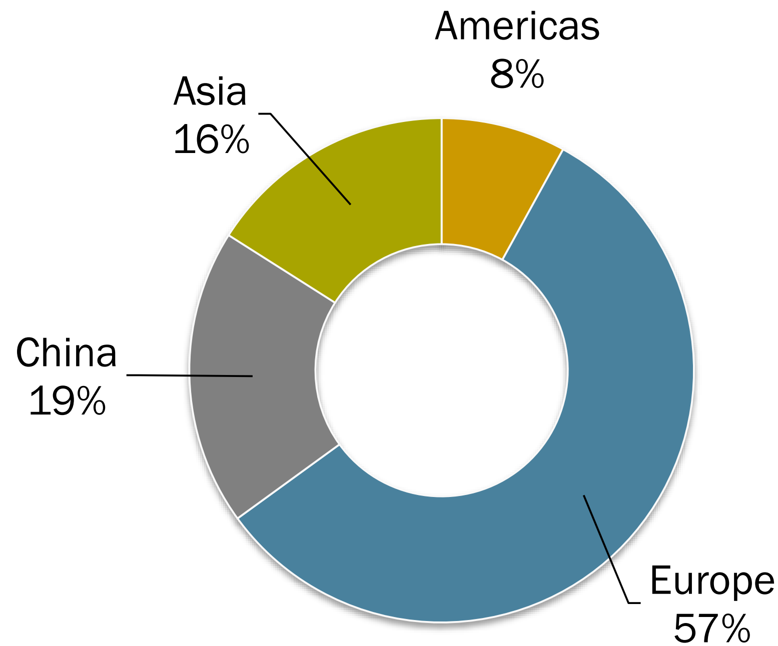
Revenue Mix by Region

2019H1 Revenue by Region(%)



2019H1 Revenue by Location of Customer Parent Company (%)



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Revenue Mix by Application

Revenue/NT $ Thousand	2Q19	1Q19	QoQ	2Q18	YoY
Renewable Energy	934,618	672,716	39%	368,728	153%
Injection Molding Machine	473,915	416,875	14%	643,805	-26%
Industrial Machinery	542,083	462,766	17%	649,695	-17%
Total	1,950,616	1,552,357	26%	1,662,228	17.%

2Q19 Income Statement

NT $ Thousand	2Q19	1Q19	QoQ	2Q18	YoY
Revenue	1,950,616	1,552,357	26%	1,662,228	17%
Gross Profit	304,434	217,955	40%	201,447	51%
Gross Margin	15.6%	14.0%	↑ 1.6pp	12.1%	↑ 3.5pp
Operating Expense	256,706	255,899	0%	297,214	-13%
SG&A Percent of Sales	13.2%	16.5%	↓ 3.3pp	17.9%	↓ 4.7pp
Operating Income	47,728	(37,944)		(95,767)	
Operating Profit Ratio	2.4%	-2.4%	↑ 4.8pp	-5.8%	↑ 8.2pp
Non Operating Items	(12,475)	(63,860)		(8,987)	
Profit before Tax/	35,253	(101,804)		(104,754)	
Profit(Loss) after Tax	19,116	(106,409)		(128,804)	
EPS(Basic)	0.18	(1.00)		(1.15)	

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1H19 Income Statement

NT $ Thousand	1H19	1H18	YoY
Revenue	3,502,973	2,935,082	19%
Gross Profit	522,389	348,945	50%
Gross Margin	14.9%	11.9%	↑ 3.0pp
Operating Expense	512,605	521,665	-2%
SG&A Percent of Sales	14.6%	17.8%	↓ 3.2pp
Operating Income	9,784	(172,720)	-
Operating Profit Ratio	0.3%	-5.9%	↑ 6.2pp
Non Operating Items	(76,335)	17,622	-
Profit before Tax	(66,551)	(155,098)	-
Profit after Tax	(87,293)	(172,432)	-
EPS(Basic)	-0.82	-1.51	

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2019 Outlook

- Shipments: 134k tonnes in 2018, targeting 150k tonnes for 2019F.

Revenue Breakdown (%)	2016	2017	2018	1H19	2019F
Renewable Energy	53	35	27	46	50~60
Non-Renewable Energy	47	65	73	54	40~50

- The current strong demand for renewable energy products is expected to continue in 2H19.
- Revenue from non-renewable energy products may decrease due to the US-China Trade War and the slowdown in the global manufacturing industry.
- Raw material prices are gradually decreasing but we see limited room for further reduction in material costs.
- We see room to improve our gross margin, as we are trying to lower costs and improve the efficiency of our machining capacity for renewable energy products.
- SG&A as a percent of sales decreased to 13.2% in 2Q19 from 16-17% in previous quarters. We will continue to control expenses.

Thank You!

Company Website: www.ygget.com

APPENDIX

Our Production Sites

YGA Taipei

- Product/Service: Casting
- Employee: 94
- Plant Area: 1,829 m^2
- Since 1971

YGD Dongguan

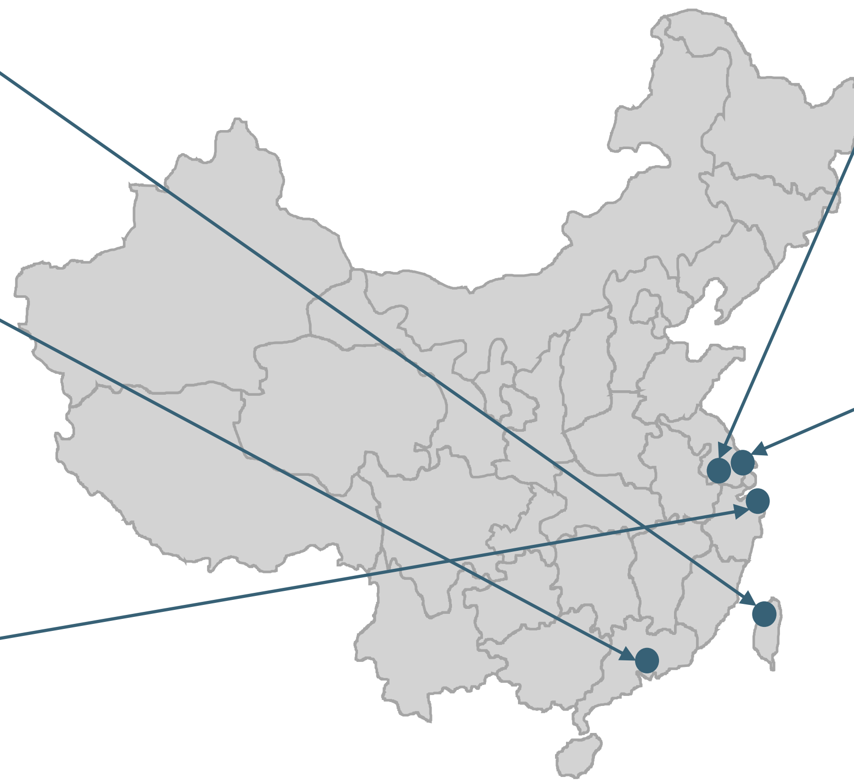
- Product/Service: Casting
- Employee: 156
- Plant Area: 15,015 m^2
- Since 1995

YGS Ningbo

- Product/Service: Casting, Machining
- Employee: 711
- Plant Area: 93,072 m^2
- Since 2000

YGL Ningbo

- Product/Service: Casting
- Employee: 336
- Plant Area: 27,288 m^2
- Since 2006



YGB Liyang

- Product/Service: Casting, Machining
- Employee: 832
- Plant Area: 120,239 m^2
- Since 2008

YGW Jiangsu

- Product/Service: Casting
- Employee: 284
- Plant Area: 36,401 m^2
- Since 2016

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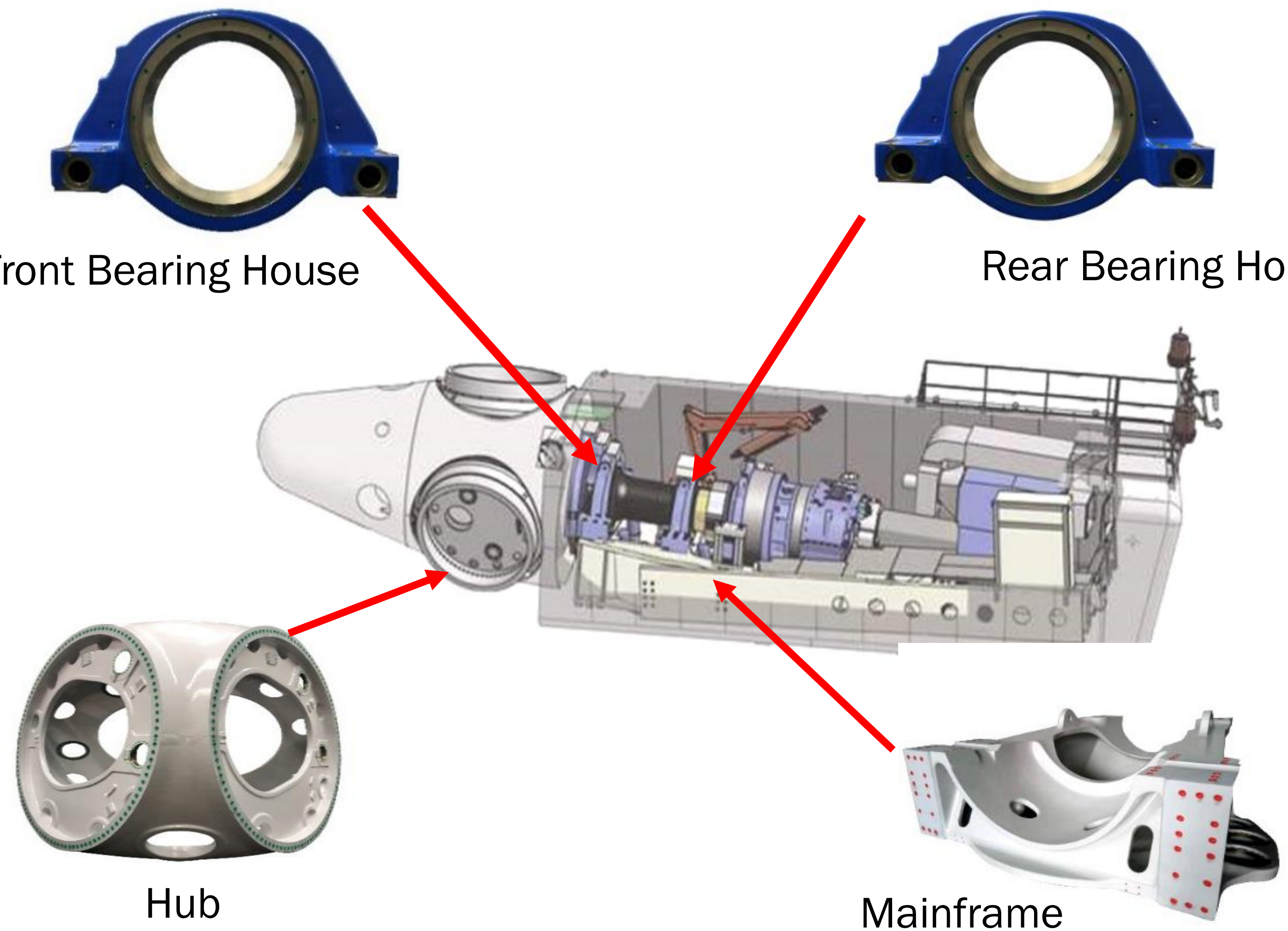
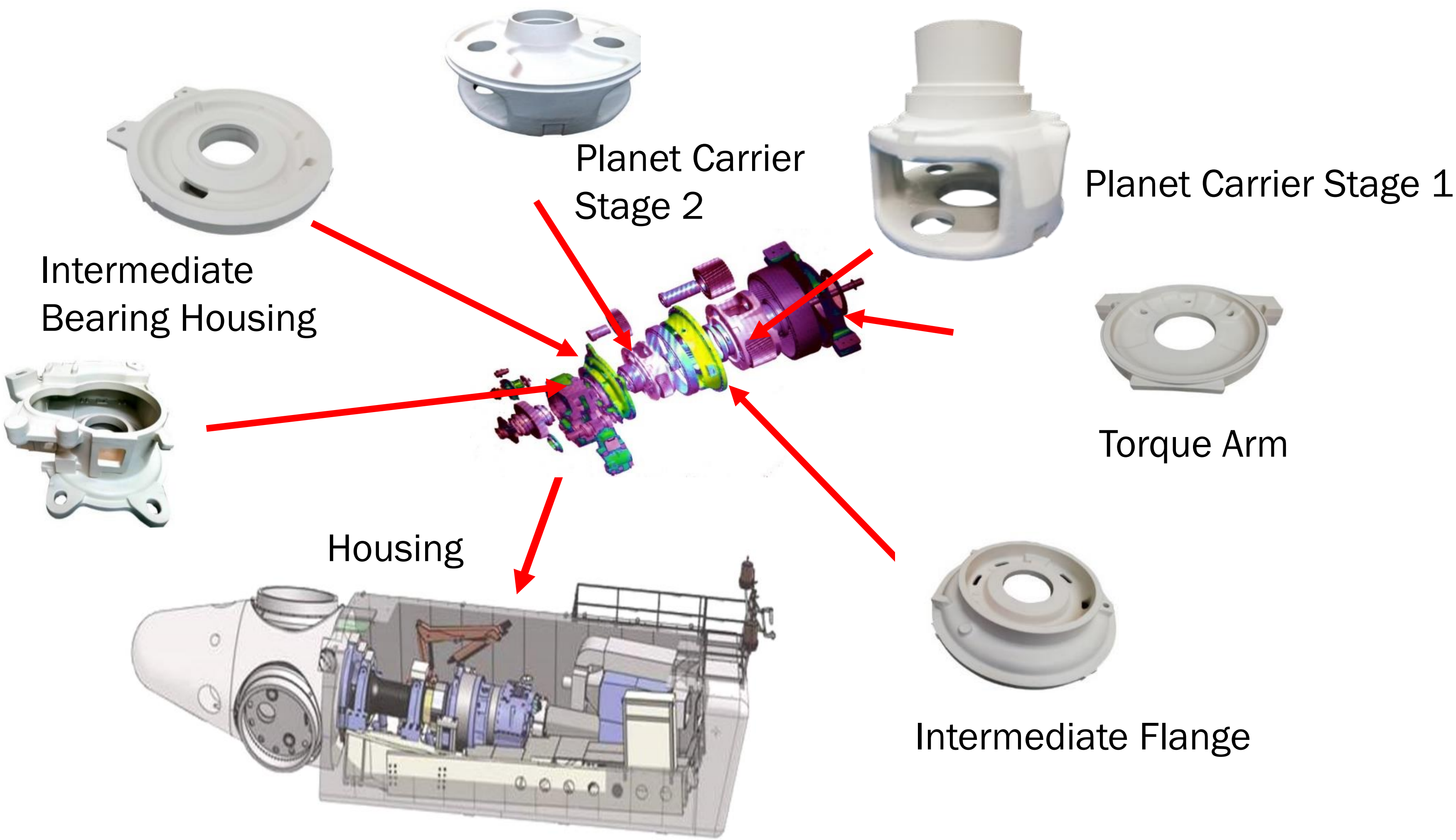
*As of 2Q19

Castings for Wind Turbine with Gearbox



Castings for Wind Turbine with Gearbox



Castings for Direct Drive Wind Turbine

Hub

Fixed Shaft

Mainframe