Yeong Guan Group (1589 TT)

2023/12

永冠集團
YEONGGUAN GROUP

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Outline

1. Yeong Guan Overview & Development plan
2. Market Trends
3. Development Strategy
4. Detailed Financial Figures

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YEONG GUAN OVERVIEW & DEVELOPMENT PLAN

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Yeong Guan Overview

- **Nearly half a century in the foundry industry**
  - Founded in Taiwan in 1971, investing in China since 1992. Now with 6 factories.
  - Around 2,500 employees
- **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
- **Optimizing Lean Production:** Improve efficiency

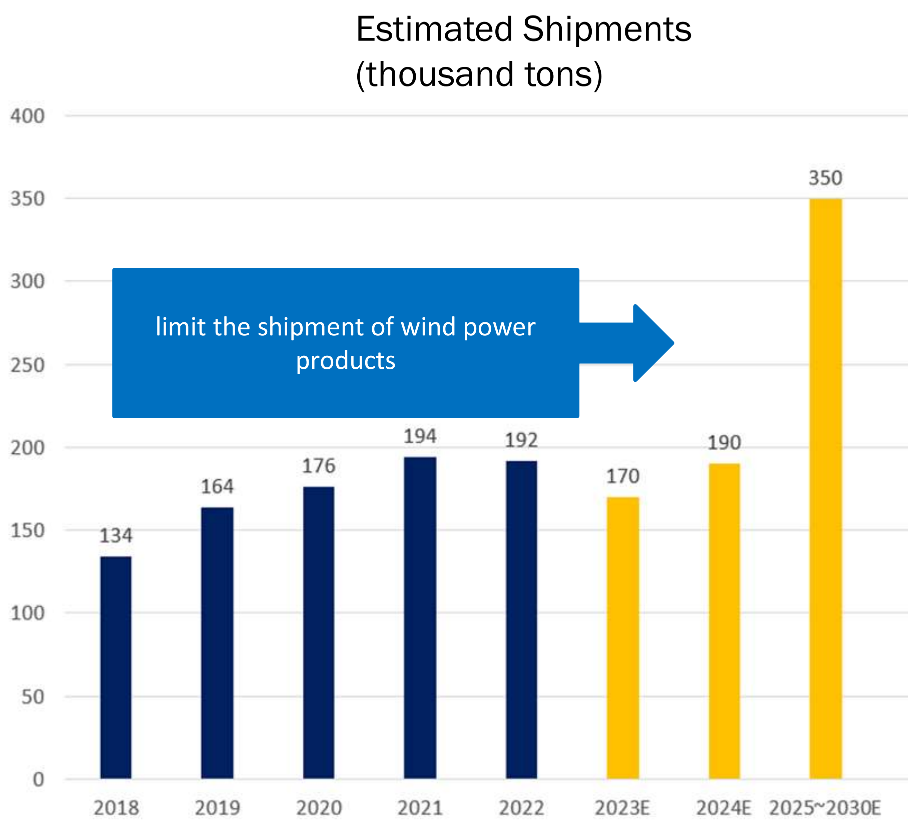
Development plan

Near Term

- In 2021, the turnover will reach NT$8.95 billion, and the shipment reached 194,000
- In 2022, the turnover will reach NT$9.38 billion, and the shipment reached 192,000
- Shipment forecast for 2023 revised down to 170,000 tons
- 2024 Shipments Estimates about 190,000 tons"

Mid Term

- Taichung factory: 2023 Q4 trial production
- Thailand factory: 2024 H2 put into operation
- Cooperation case of Jiuquan First Heavy Industry Wind Power Group: central enterprise/Goldwind cooperation (including wind farm development)
- Capacity optimization of existing production bases



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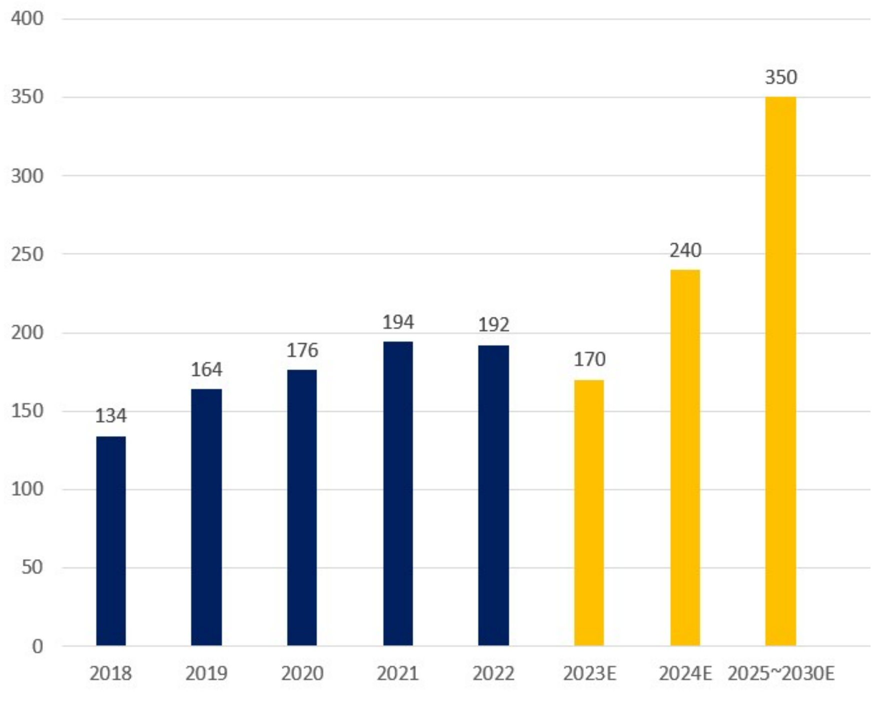
Development plan

Long Term

- Sustainable Management and Inheritance
- Deepening Environmental, Social and Corporate Governance (ESG) and Fulfilling Corporate Social Responsibility (CSR)
- The annual production capacity is expected to exceed 350,000 tons

Estimated Shipments (thousand tons)



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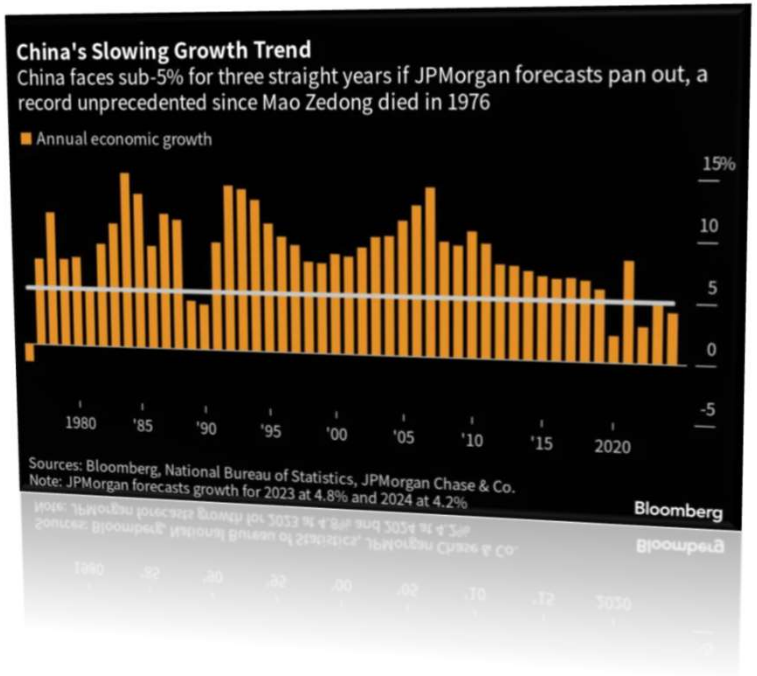
Development plan

Analysis of 2023 shipment target adjustments

1. Mainland China’s boom reversed rapidly in the second quarter
2. The wind power industry rarely suspends the purchase of goods
3. The global consumer market lacks momentum due to high interest rates
4. There is a chance for a moderate recovery in Q4

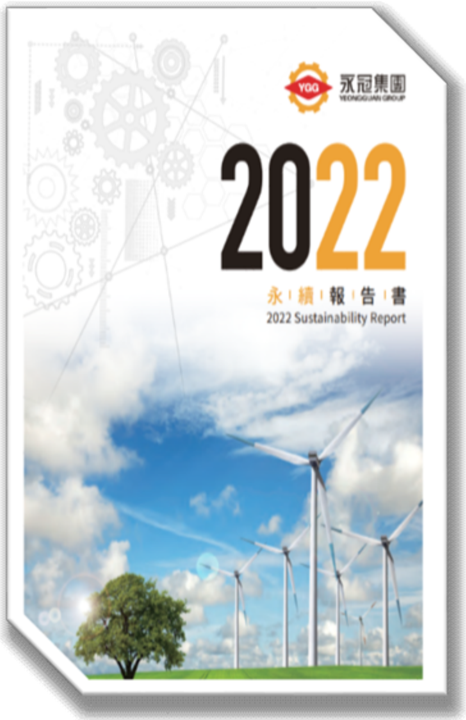


Sustainability and Sustainable Management

Environmental
- Invest in wind farms
- Reserve green energy resources
- Calculating carbon emissions; managing carbon footprint

Social
- Technology bring home
- Industry-academia collaboration
- Talent cultivation

Governance
- Increase the number of outside directors
- Increase female board members
- Chairman no longer serve CEO at the same time



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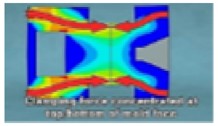
Core Competitiveness: Strengthening of Professional and Technical Capabilities

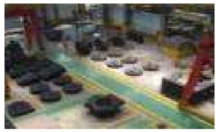
Good quality

- Accumulation of decades of work experience by the professional team
- Excellent product quality, high reliability and long service life



Advanced Material Formula Control Capabilities

- Simultaneous processing of more than 30 chemical elements and metallographic analysis
- Professional processing capabilities of high standards, high specifications, and special materials



Ability to support advanced equipment

- Production equipment selection and design planning
- Adaptive integration capability of automation and intelligent equipment
- High-end, precision, large-scale, continuous investment in automation equipment

Excellent production management ability and product line change planning

- Quick response to mold on-line and line change
- A small amount of various production arrangements to respond to rapid changes in customer demand
- Modularization of process design, intensive production

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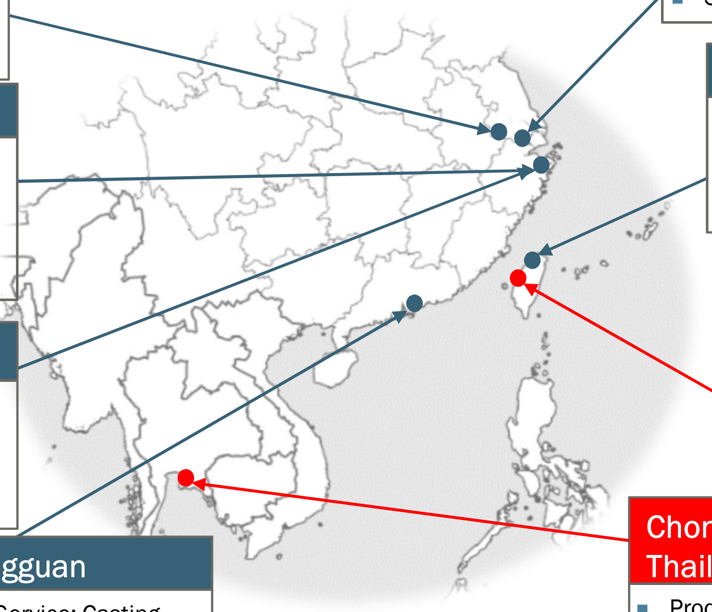
Focus on quality improvement, lean production, personnel training, etc., and promote Industry 4.0, introduce Manufacturing Execution System (MES), and strengthen technical capabilities and production efficiency.

Our Production Sites



YGB Liyang
- Product/Service: Casting, Machining
- Employee: 806
- Plant Area: 120,239 m^2
- Since 2008

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

YGL Ningbo
- Product/Service: Casting
- Employee: 326
- Plant Area: 27,288 m^2
- Since 2006

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

YGW Jiangsu
- Product/Service: Casting
- Employee: 242
- Plant Area: 36,401 m^2
- Since 2016

YGA Taipei
- Product/Service: Casting
- Employee: 103
- Plant Area: 1,829 m^2
- Since 1971

Taichung Port, Taiwan
- Product/Service: Casting, Machining
- Employee: 800
- Plant Area: 205,000 m2
- Since 2022

Chonburi Province, Thailand
- Product/Service: Casting
- Employee: 300
- Plant Area: 968,000 m2
- Since 2024

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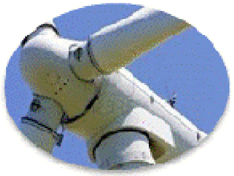
The top ten high-quality customers in the industry



Renewable energy

SIEMENS Gamesa
NORDEX We've got the power.
acciona Windpower
ENVISION
ZF
上海电气 SHANGHAI ELECTRIC
Vestas

Injection molding machine

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

Industrial machinery

DMG MORI AKTIENGESELLSCHAFT
Atlas Copco
Elekta
BOBST
CATERPILLAR
SACMI
SCHULER Member of the ANDRITZ GROUP
WÄRTSILÄ

The goal is to win more global high-end equipment and international first-line manufacturers, and work closely together to develop new products.

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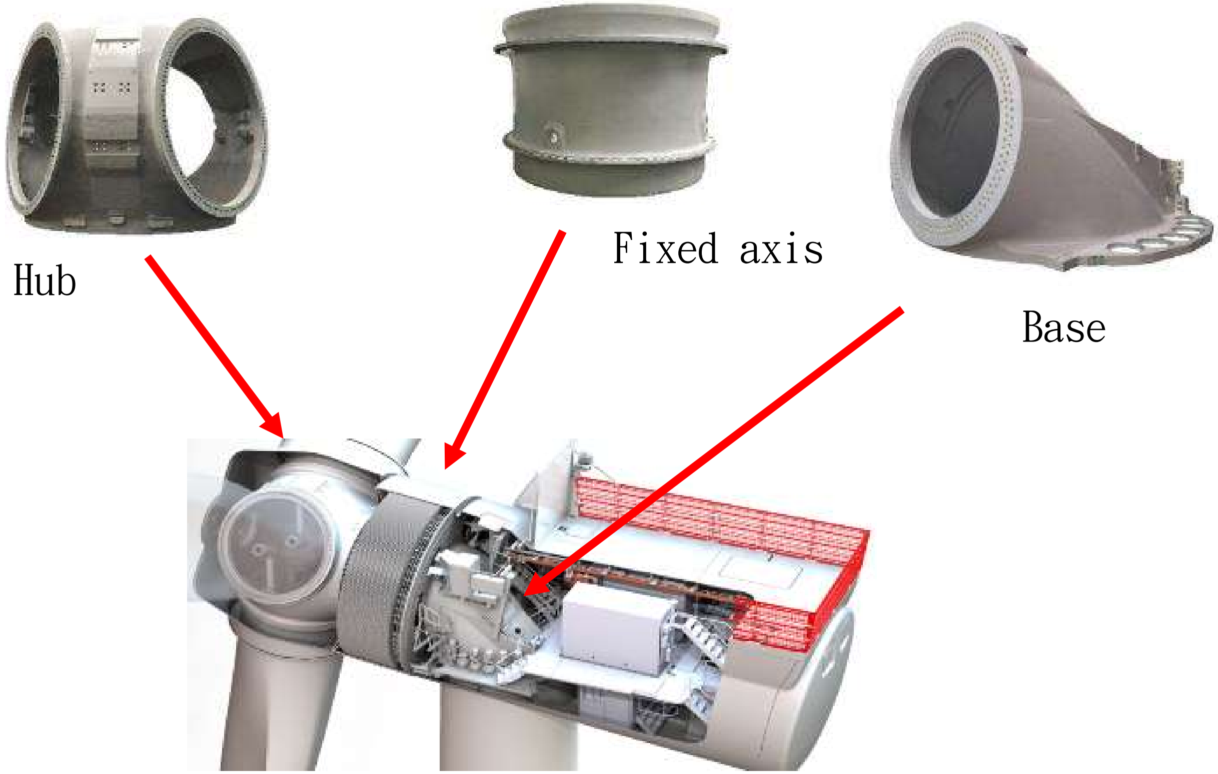
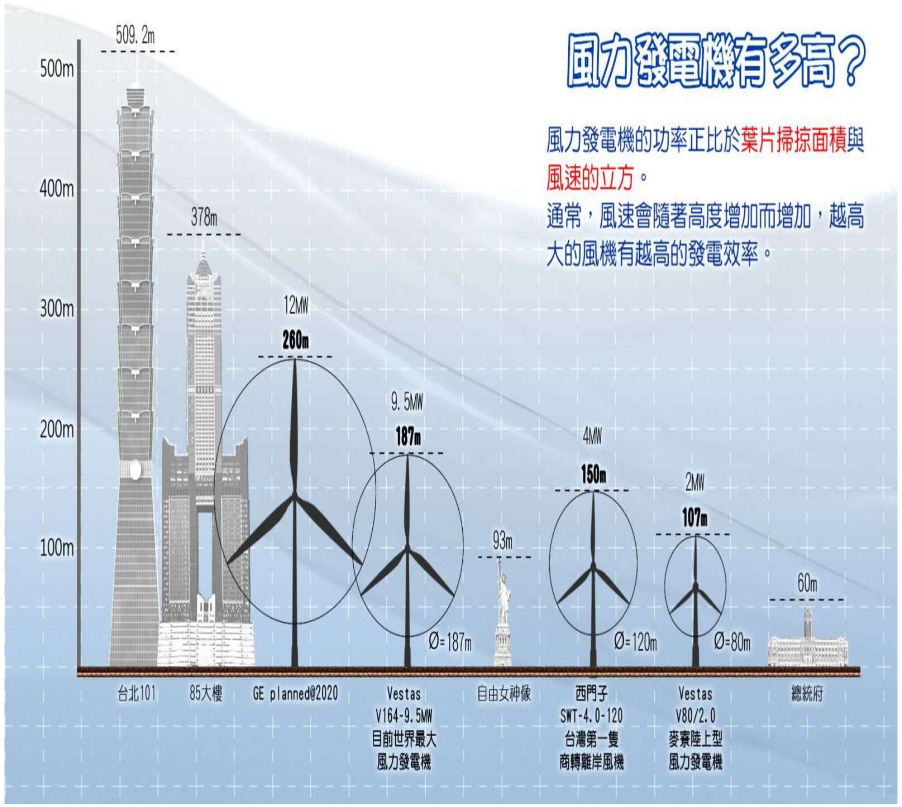
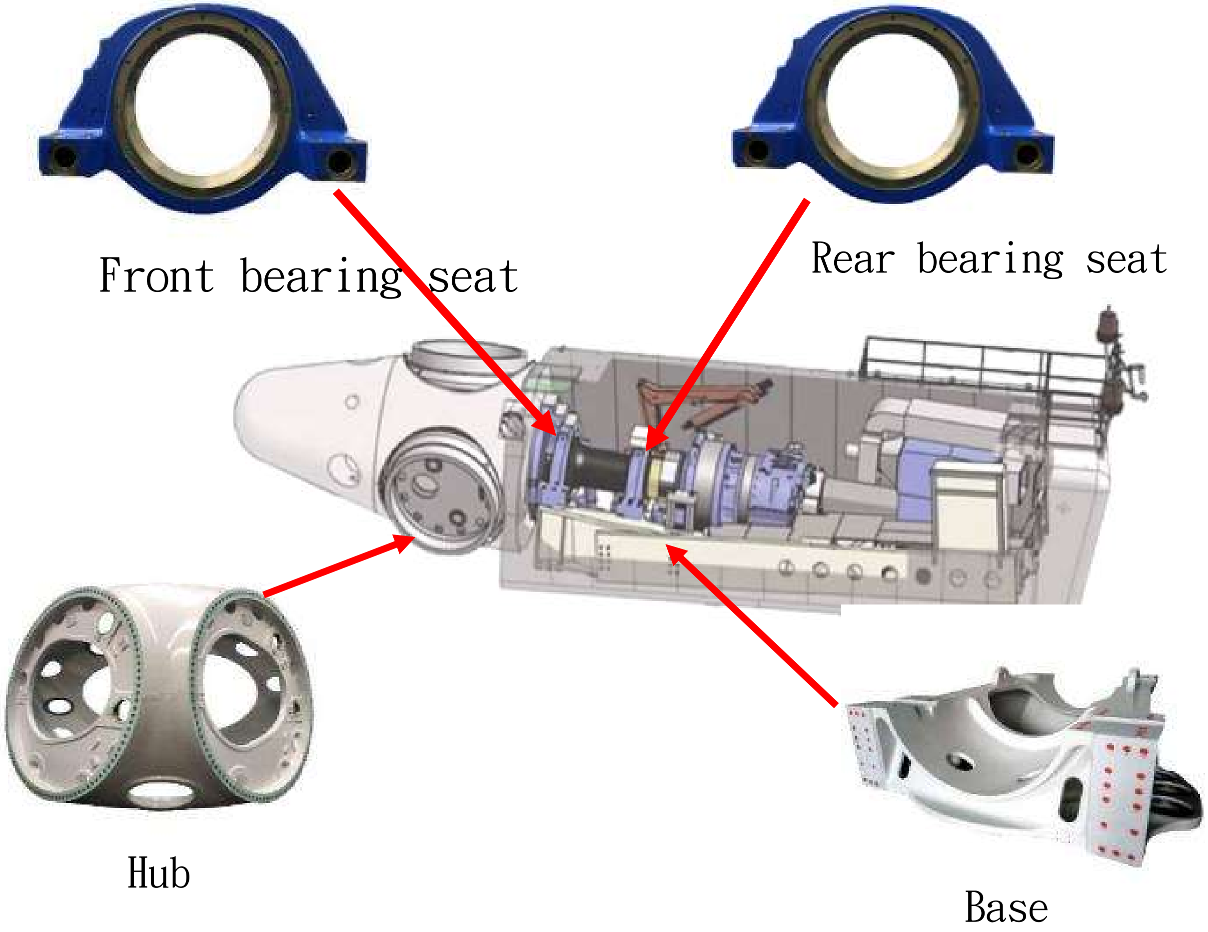
Direct Drive Wind Turbine



Doubly-fed wind turbine



來源:
https://learnenergy.tw/index.php?inter=knowledge&caid=5&id=341&page=9



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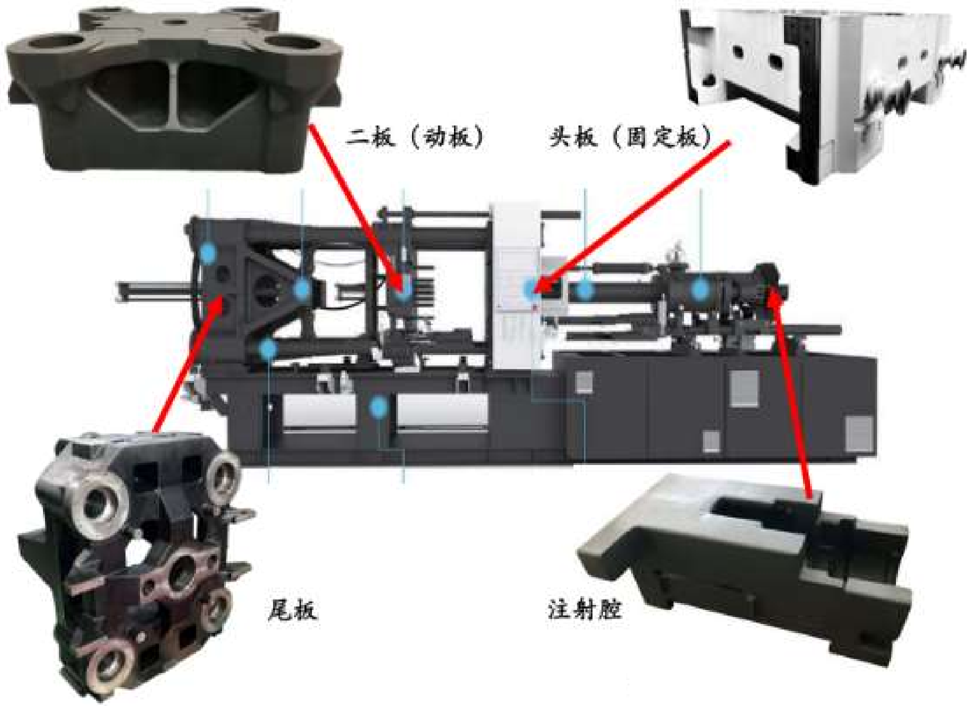
產品應用廣泛

Injection molding machine



Industrial machinery

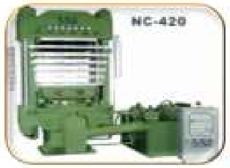

空壓機


螺帽機


齒輪加工機


印刷機械

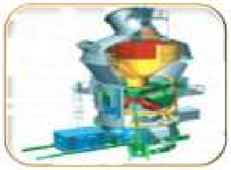

沖床

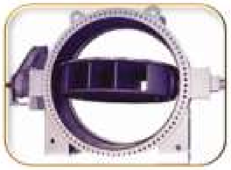


橡膠機


船舶引擎


造磁磚機


水泥機械設備

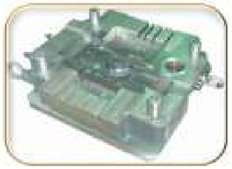

閥門(水道)


齒輪箱


醫療設備


沖壓模


加工中心


壓鑄模


運輸設備零件

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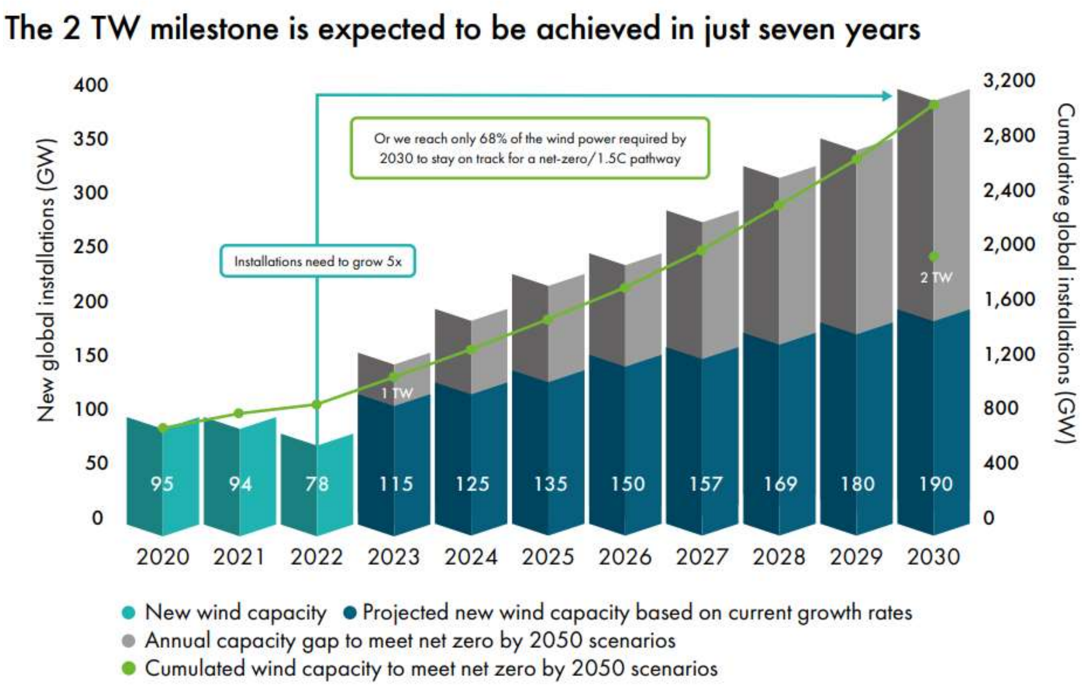
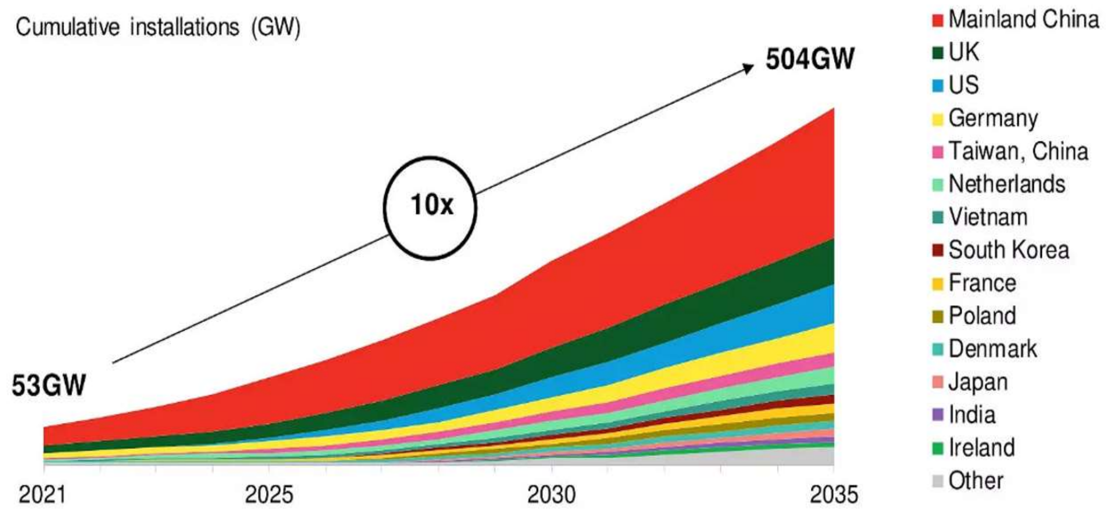
MARKET TRENDS

Global Market Trends



Wind energy demand by country
Significant growth in scale



Source: BloombergNEF. Note: Other = Portugal, Italy, Finland, Lithuania, Latvia, Estonia, Greece, Norway, Sweden, Spain, Brazil, Belgium, Colombia. Cumulative 2030 installations are 287GW.

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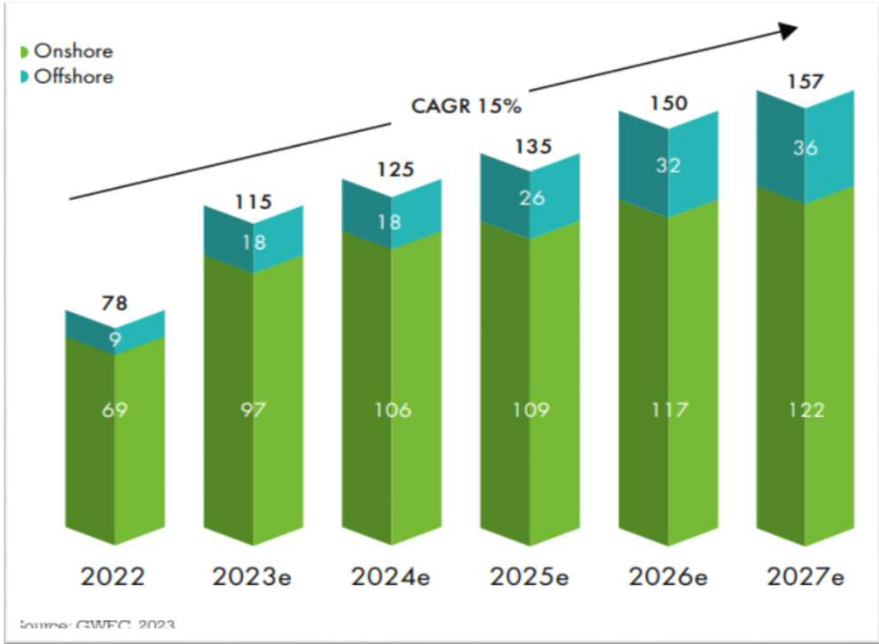
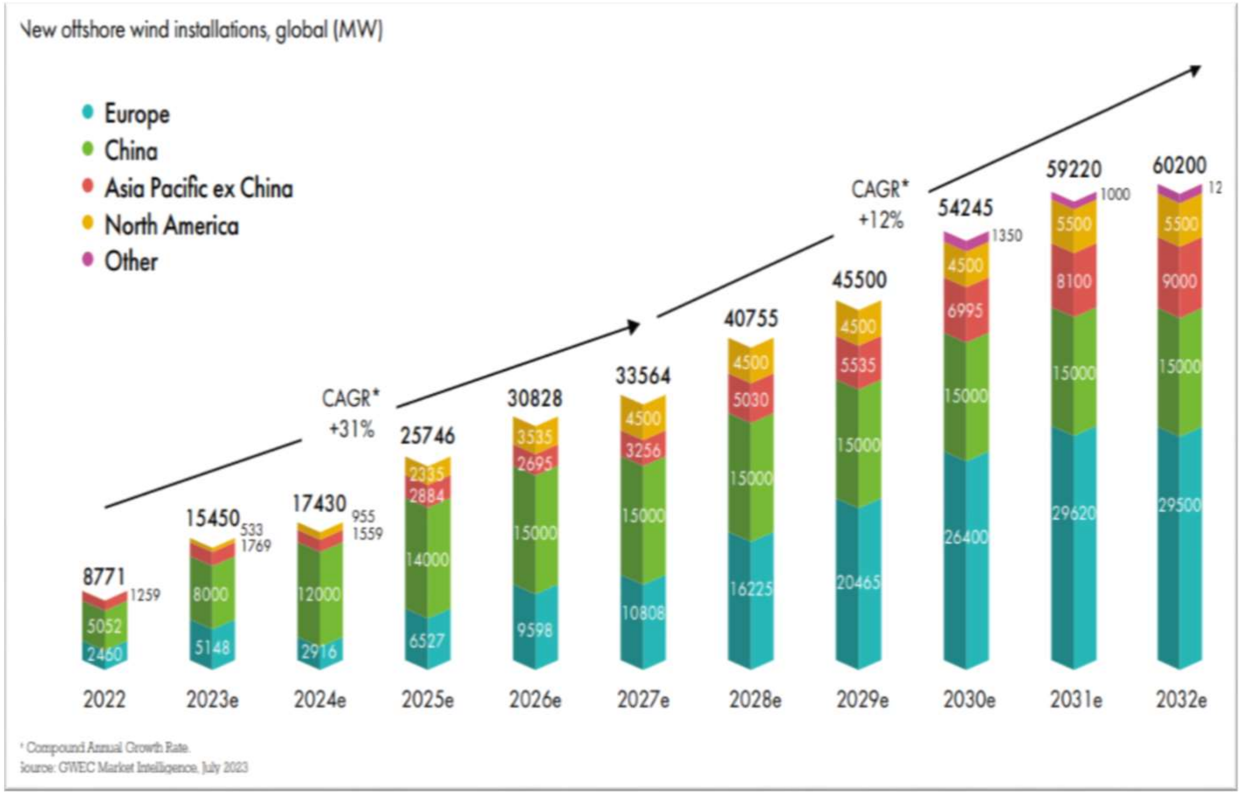
Global Market Trends

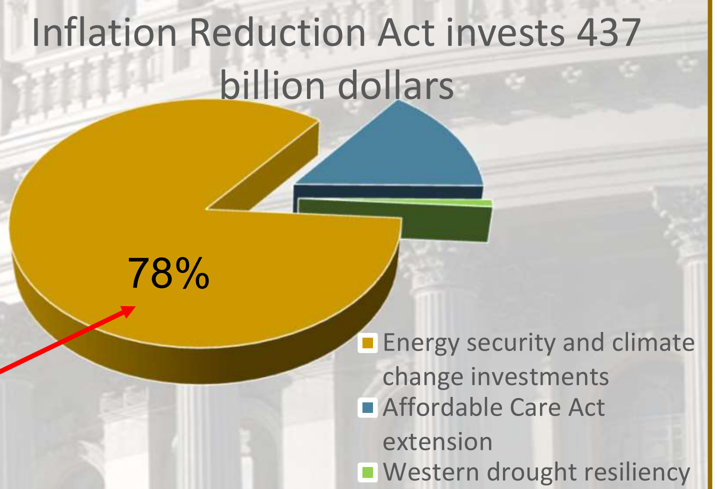
Offshore wind power continues to gain momentum





American market trends

來源:Biden announces new climate change actions but holds an emergency declaration in reserve (theconversation.com



投資乾淨能源	投資3,690億美元於加速轉型到乾淨能源的計畫，並且提高國內能源產量、減少碳排量，將嘉惠太陽能、風力及其他乾淨能源
為電動車買主提供稅務優惠	目前買主最多可取得7,500美元的稅務補貼，但僅限每家車廠銷售的頭20萬輛合格車款，新法將提高上限，二手電動車買主也享有稅務優惠

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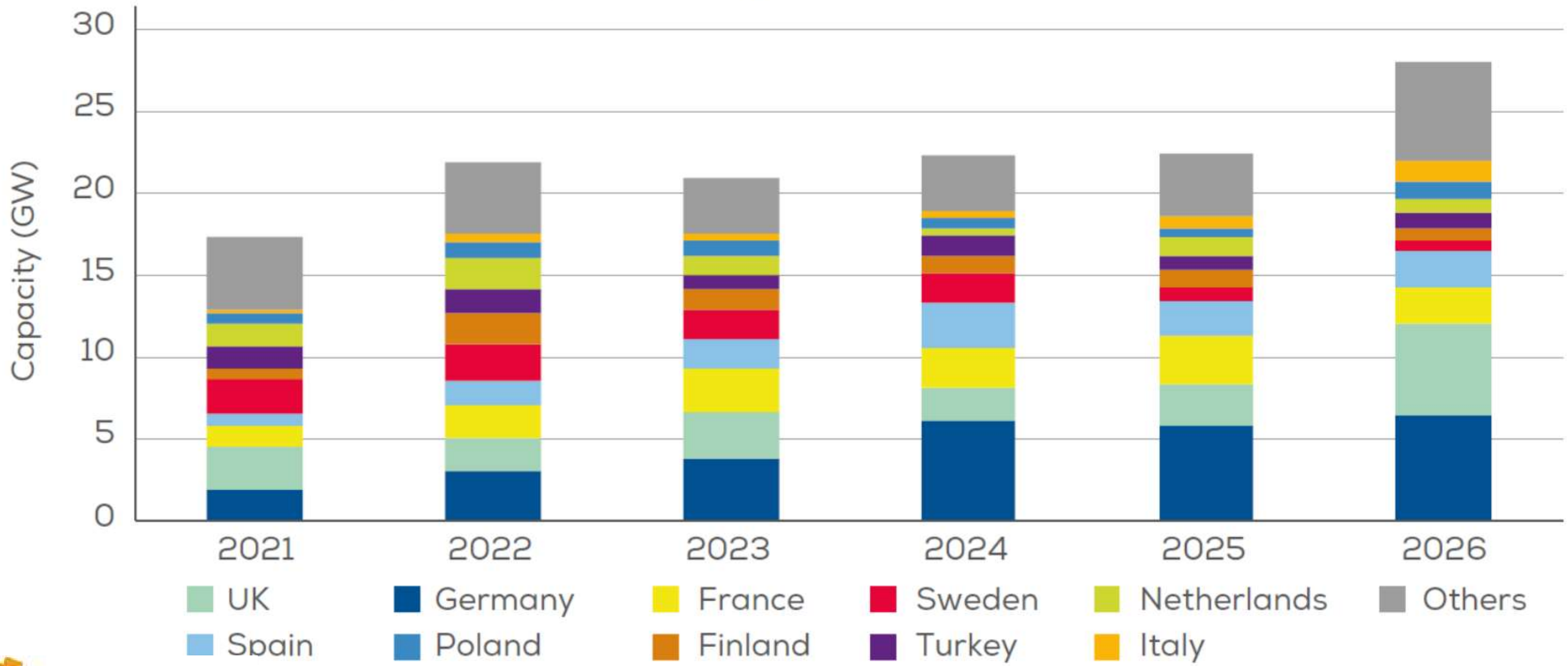
European Market Trend

The demand for wind power in the EU will remain above 20GW annually from 2022, especially in Germany and the UK.

New installations per country – WindEurope's Realistic Expectations Scenario



The Russia-Ukraine war catalyzed the EU to get rid of its energy dependence on Russia and accelerate the development of new energy sources. In addition to the spillover of Europe's supply chain demand for large castings for offshore models to Asia, the demand for large castings in Asia must be digested by itself.

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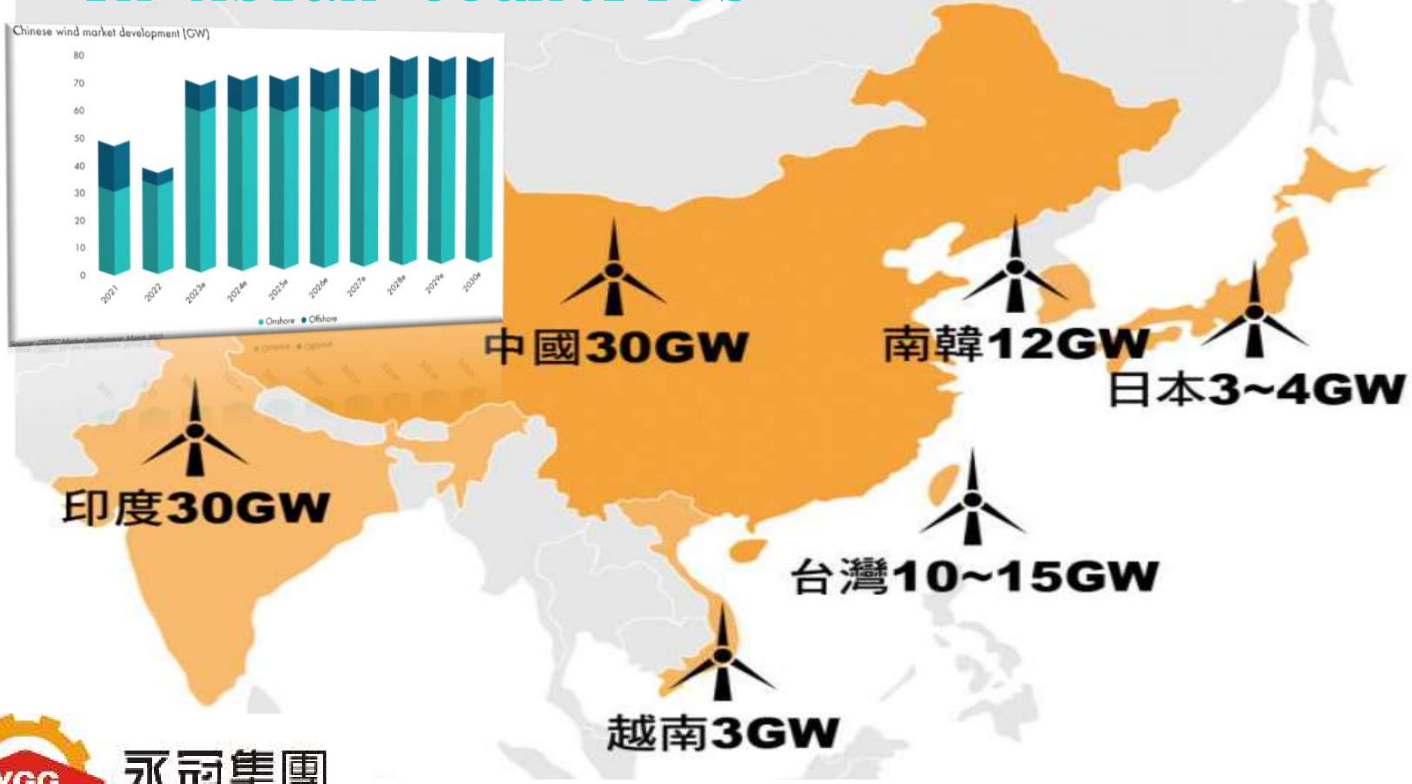
Source: WindEurope

Asian Market Highlights

2030 Offshore wind power installation plans in Asian countries



- The scale and rapid development of offshore wind power in Asia
- Technology and Supply Chain Integrity
- According to the 14th Five-Year Plan, by 2030, China's annual new installed capacity will not be less than 60GW

China targets over 300GW of wind in 14th five-year plan
"十四五"风电规划装机超300GW

Source: BloombergNEF. Note: Provinces without labels include Tianjin, Beijing, Hainan, Jiangxi, and Shanghai.

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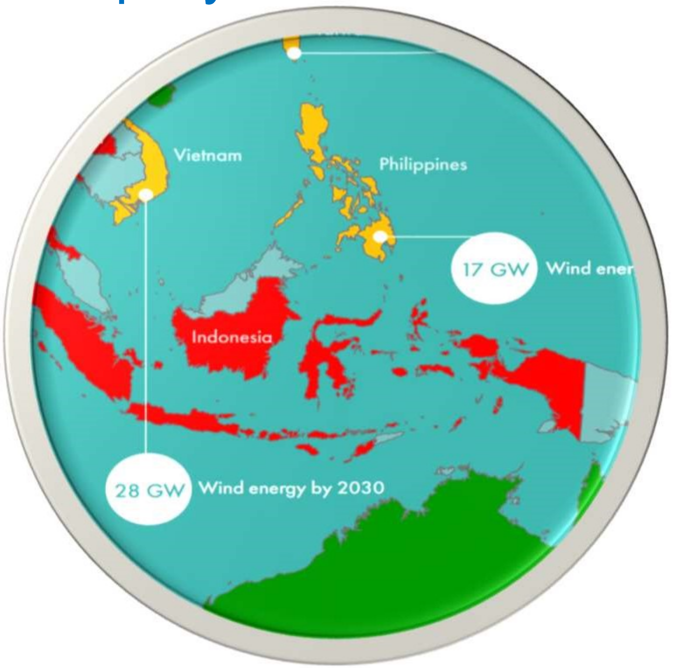
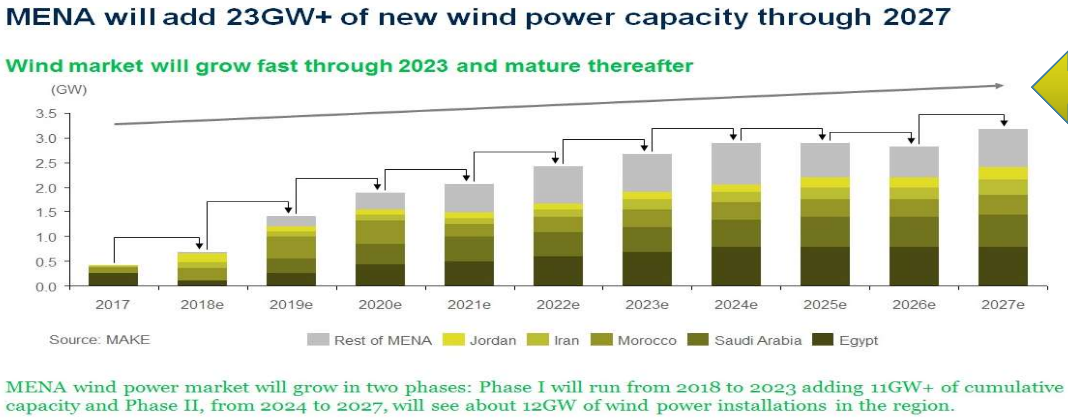
資料來源：經濟部工業局

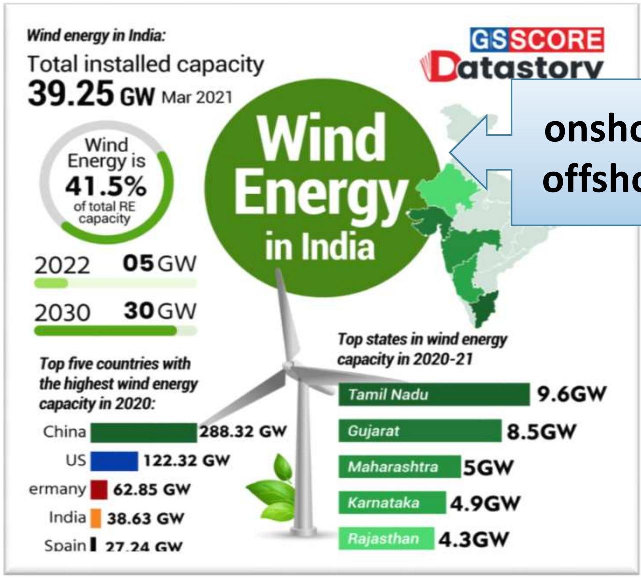
戰略規劃與市場機遇

➢ Demand for wind power in emerging markets is growing rapidly





MENA
Growing fast



onshore600GW
offshore174GW

✓ The construction of wind farms in Southeast Asia, India, the Middle East, and South America has begun to accelerate

✓ Manufacturers' demand for overseas casting supply increases

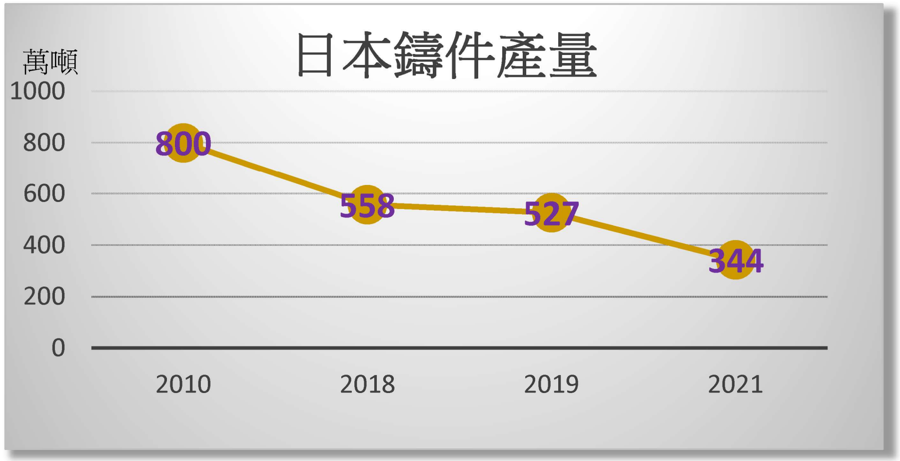
戰略規劃與市場機遇

➢Friend-Shoring

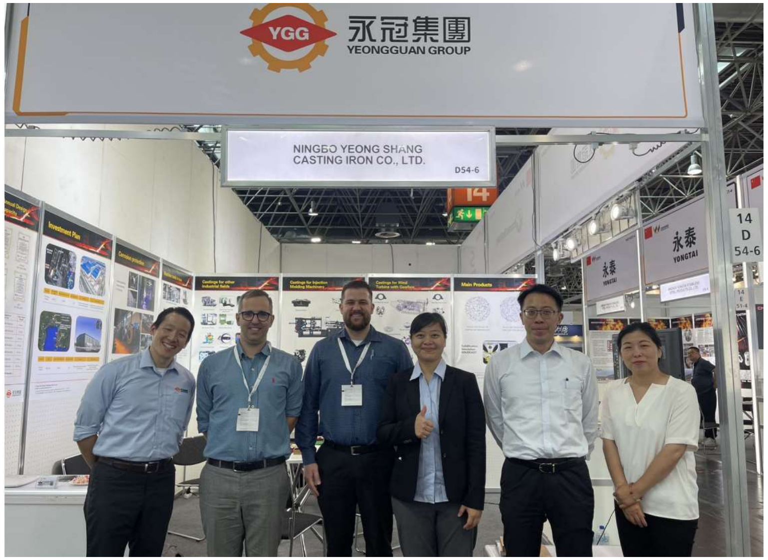
When looking for a production base for the manufacturing industry, we should not only consider economic factors, but also consider international relations. Producing in national defense countries is the best strategy. Under such a trend, Thailand, as one of the major manufacturing countries in Southeast Asia and its government actively participating in the Industry 4.0 policy, has naturally become an important choice for international companies to choose to deploy new production bases in Asia.

➢Japan's economic recovery

- ✓ Industries related to Japan-U.S. Indo-Pacific strategy
- ✓ The depreciation of the yen increases industrial competitiveness
- ✓ Exports & Domestic Demand Increase, Increase demand for overseas imported castings



Market opportunity



- Yeong Guan participated in the GIFA exhibition and communicated with many new and old customers from all over the world.
- Customer areas cover a wide range of areas ， In addition to major wind power plants, there are also die-casting, air compressor, punch press, mining machinery, etc. 。
- Customers all expressed ， Considering that Thailand has an advantage in procurement costs compared to China, tariffs are also reduced, and Thailand supplies regional markets such as India and Europe with convenient logistics. Therefore, we are looking forward to having Yeon Gguan Thailand Factory provide castings, processing, and spraying services, and we are actively arranging them. Follow-up docking work.

✓ **Manufacturers are highly interested in Yongguan Thailand factory and hope to cooperate as soon as possible**

NEW PRODUCTION CAPACITY AND DEVELOPMENT

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Thailand Foundry

91 km from Bangkok International Airport
40 km from Laem Chabang Port
60 km from Pattaya

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Thailand Foundry

2022 August
groundbreaking

2024 4Q
Go into operation

2025
Commissioning 20k tons

- Schedule: 2022 August ground breaking, 2024 go into operation

- Capacity: <u>80k tons/ year</u>, Renewable industry (onshore wind power) , Injection molding machine & industrial machinery

- Advantage
  - 968,000 square meters
  - 8 years tax-free;5 years 50% off for tax
  - ASEAN huge market (major appliance 、automotive industry)
  - Abundant human resources & low cost

Thailand Foundry

Taichung Foundry State

2023 2Q

Go into operation

2023

Commissioning 7k – 10K tons

2024

Capacity reach to 50k tons

- Schedule: 2020 ground breaking, 2023 2Q go into operation
- Max capacity: 100k tons/year
  renewable energy industry 60%, plastic injection and industrial machinery 40%
- Advantage:
  - Next to Siemens Gamesa & Vestas
  - Localization policy
  - Located in port reduce logistic cost
  - Government support
  - Avoid trade frictions

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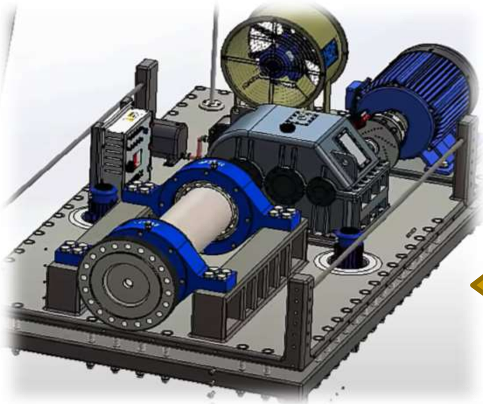
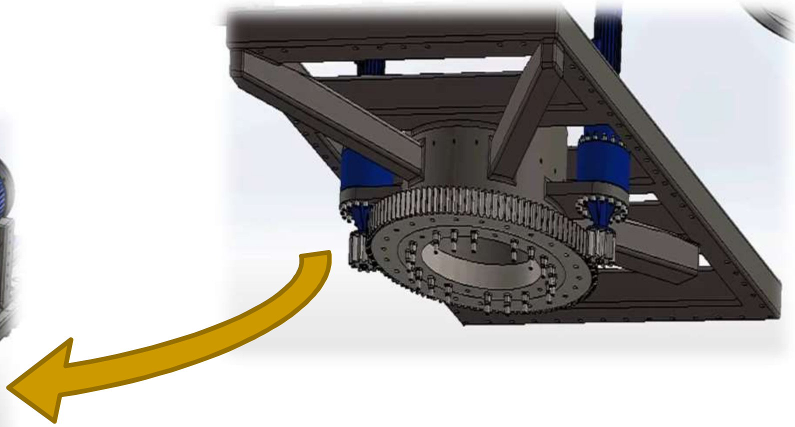
Already signed a contract with Siemens, Taichung foundry will provide 30K tons/year for Taiwan market & 50K tons/year for global market.

Taichung Foundry State

- Taichung factory first shipment





- 9.5MW series
- The first units of other products will be shipped gradually
- Middle size products for Taichung Port Factory

With the No. 1 market share, Siemens Gamesa settled in Taichung Po

Development Strategy

China Base

- Medium and large wind power products
- Global availability
- Meet domestic demand

Taichung Foundry

- Localization of wind power
- USA market
- Larger wind power products

Thailand Foundry

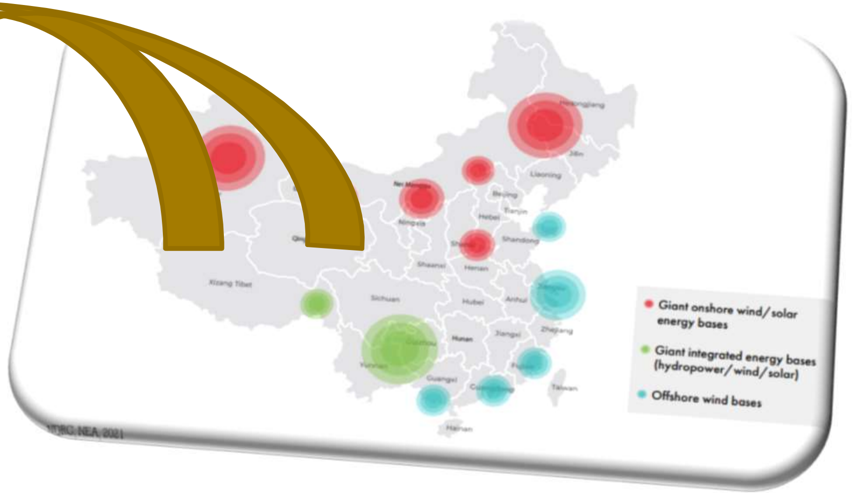
- Business opportunities for supply chain risk diversification
- Competitive price
- Short chain supp

酒泉一重風電集團合作案

- Joint development by central enterprises/Goldwind /Yeong Guan (equipment base/wind farm)
- 600MW franchise rights have been obtained
- Northwest wind farm development (Jiuquan wind farm has an estimated total power generation capacity of approximately 80GW)

- Cooperate with China's One Belt and One Road policy and radiate to Central Asia/Middle East

China's 14th Five-Year Period renewable energy development plan



Source: Wikipedia

Detailed Financial Figures

Historical Income Statement

NT$ Million	2019	2020	2021	2022	2023 Q3	2022 Q3	YoY(%) 2019	YoY(%) 2020	YoY(%) 2021	YoY(%) 2022	YoY(%) 2023 Q3 VS 2022 Q3
Sales Revenue	7,900	8,184	8,948	9,383	1939	2481	27.5	3.6	9.3	4.9	-22
Gross Profit	1,371	1,790	1,770	1344	266	349	65	30.6	-1.1	-24	-24
Operating Profit	212	545	316	98	-100	59	-186.5	-157.1	-42	-69	-270
Income before Tax	221	624	321	-314	-240	-75	-195.3	-182.4	-48.6	-198	-420
Net Income	164	517	214	-444	-221	-135	-159.9	-215.2	-58.6	-307	-263
EPS (NT$)	1.54	4.81	1.95	-3.96	-1.85	-1.21	-162.1	-212.3	-59.5	-303	-253

Key financial ratio (%)

	2019	2020	2021	2022	2023 Q3	2022 Q3
Gross Margin	18	22	20	14	14	14
Operating Margin	3	6	3	1	-5	2
Net Margin	2	6	2	-5	-11	-6
OPEX ratio	15	16	17	13	19	12

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Historical Balance Sheet

NT$ Million	2019	2020	2021	2022	2023 Q3	2022 Q3	YoY(%) 2019	2020	2021	2022	2023 Q3 VS 2022 Q3
TOTAL ASSETS	13,521	16,394	18,470	21,891	24,784	21,569	-7	21.2	12.7	18.5	14.9
Cash	1,451	2,682	1,994	2,114	2,198	2,217	-54	84.8	-25.7	6	-0.9
NR & AR	2,947	3,517	3,242	3,742	3,840	3,531	40.1	19.3	-7.8	14.6	8.8
Inventory	1,226	1,324	1,660	1,858	2,734	1,894	-10.4	8	25.4	11.9	44.4
Fixed Asset	5,735	5,756	7,239	9,651	11,117	9,326	-3.1	0.4	25.8	33.3	19.2
TOTAL LIABILITIES	5,699	7,630	9,635	13,398	15,509	12,929	-8.8	33.9	26.3	39	19.6
Bank Loans	3,858	3,498	4,344	8,482	11,487	8,044	-15.8	-9.3	24.2	95	42.8
NP & AP	990	1,646	2,422	2,296	1,890	2,393	-5.7	66.3	47.1	-5.2	-21
TOTAL EQUITY	7,822	8,764	8,835	8,492	9,275	8,641	-5.5	12	0.8	-3.9	7.3
Common Stock	1,056	1,106	1,106	1,106	1,181	1,106	-5.4	4.7	0	0	6.8
Book value per share	72.5	79.2	79.9	76.8	78.5	78.1					
A/R turnover days	117	145	139	137	160	141					
Inventory turnover days	78	76	77	82	120	86					
A/P turnover days	57	75	103	107	107	114					
ROE (%)*	2.1	6.3	2.5	-5.14	-0.78	-4.84					

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*Return on equity: parent company’ s net profit/average common stockholders’ equity

Quarterly Income Statement

NT$ Million	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
Sales Revenue	2,235	2,270	2,296	1,813	2,330	2,481	2,760	2,218	2,343	1,939
Gross Profit	450	400	369	196	307	349	493	424	454	266
Operating Profit	83	36	(2)	(118)	-17	59	174	102	105	-100
Income before Tax	123	36	5	(217)	-87	(75)	65	91	110	-240
Net Income	141	29	(82)	(196)	-91	(135)	(21)	69	80	-221
EPS (NT$)	1.27	0.27	(0.72)	(1.75)	(0.81)	(1.21)	(0.73)	0.62	0.73	-1.85
Revenue by Application (%)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**	**4Q22**	**1Q23**	**2Q23**	**3Q23**
Renewable Energy	46.2	43.2	41.1	33.8	42.3	45.7	56.4	58.4	50.6	51.4
Injection Molding Machine	24.5	26.5	30.7	32.4	27.6	30.2	21.6	18.5	18.8	18.9
Industrial Machinery	29.3	30.3	28.2	33.8	30.1	24.1	22	23.1	30.6	29.7

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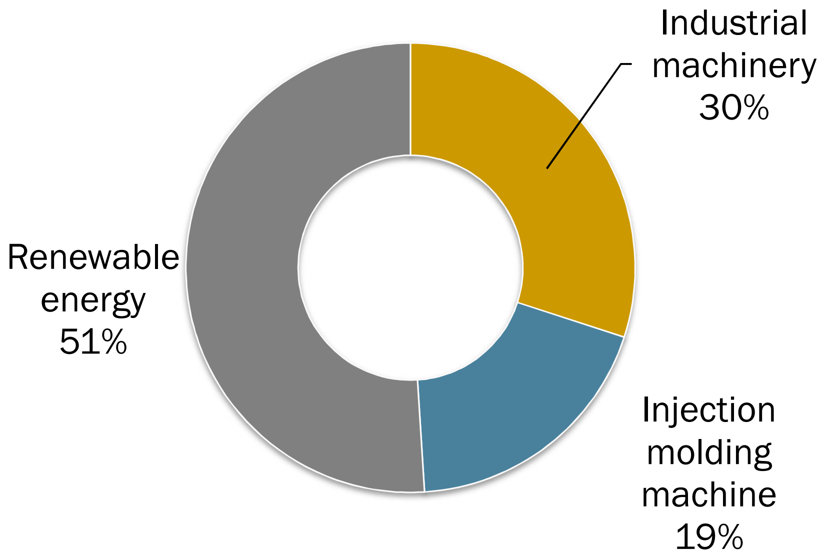
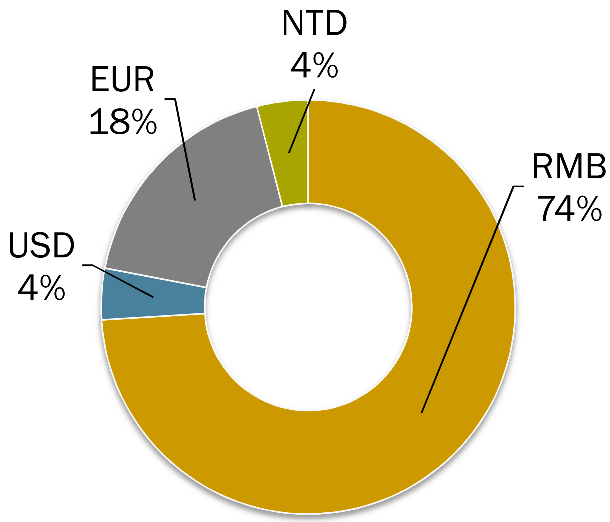
2023 Q2 Revenue by Application and Exchange Rate

Revenue by product application (%)



Currency specific revenue (%)



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Thank you !

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