

# Investor Conference 【 5258 】

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# Agenda

1. Company Introduction
2. Industry Overview
3. New Products and Applications
4. Operation Overview
5. Financial Overview
6. Operating Strategies & Future Prospect



# 1. Company Introduction



# About Castles

## Introduction

- Top professional domestic manufacturer of IC card reader and POS
- Based in Xindian District, New Taipei city, products selling more than 50 countries

## Expertise and Market

- Technological level of payment system goes beyond the world
- Provide user-friendly, seamless, and secured products for international market
- Product application includes financial industry, retail, restaurant, health care, and public transportation, etc.





## 2. Industry Overview



# Current Status of Industry

- **Change of Overall Industry**

- ✓ **Market Change:** Competitors have been merged in the past few years
- ✓ **Competition increase:** In 2020, with the implementation of PCI PTS v6.x and EMV Contactless L1 v3.x, increasing the design difficulty and certification fee which will accelerate the company with poor quality
- ✓ **Covid-19 impact:** Regarding PCI PTS v3.x products will expire in April 2020, it is expected to have a wave of device replacement. However, with Covid-19 impact, the replacement plan has been postponed

- **Industry Competitors**

- ✓ Cross-border integration of the new electronic payment is a upcoming challenge for business expansion
- ✓ Providing diversified products for banks to perform multiple payment integration is a new opportunity in the future



# Market Trend

## ● Application of Unattended Payment Device

- ✓ With the impact of Covid-19, cash free application becomes popular
- ✓ Provide service of hardware and software integration is the key to sales growing
- ✓ For the difference of unattended payment device use, sales team collaborates with the right partner

## ● Software Service Platform

- ✓ With a growing number of commercial software developers are willing to invest in Android product developing and a stricter demands for hardware performance, to fulfill customer demands, the industry trend moves toward high-end products

# New Opportunity of the Market

## ● Solution of Software & Hardware Integration

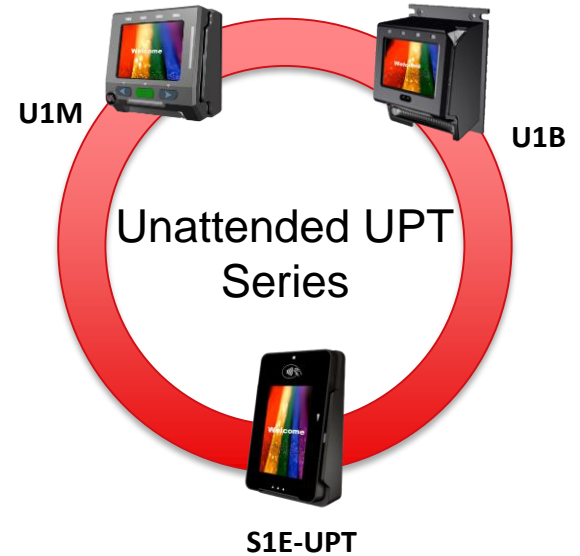
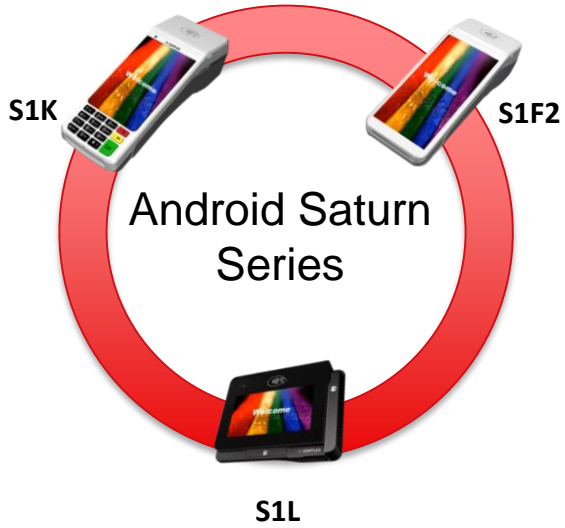
- ✓ With the popularity of Android-based products, acquirers from all over the world invests in platform application development
- ✓ A complete product line of Android-based payment terminal, providing cloud service for customers to perform integration. This expediate the development process for customers
- ✓ Android- based product will become the best-seller of payment market and apply to multiple settings



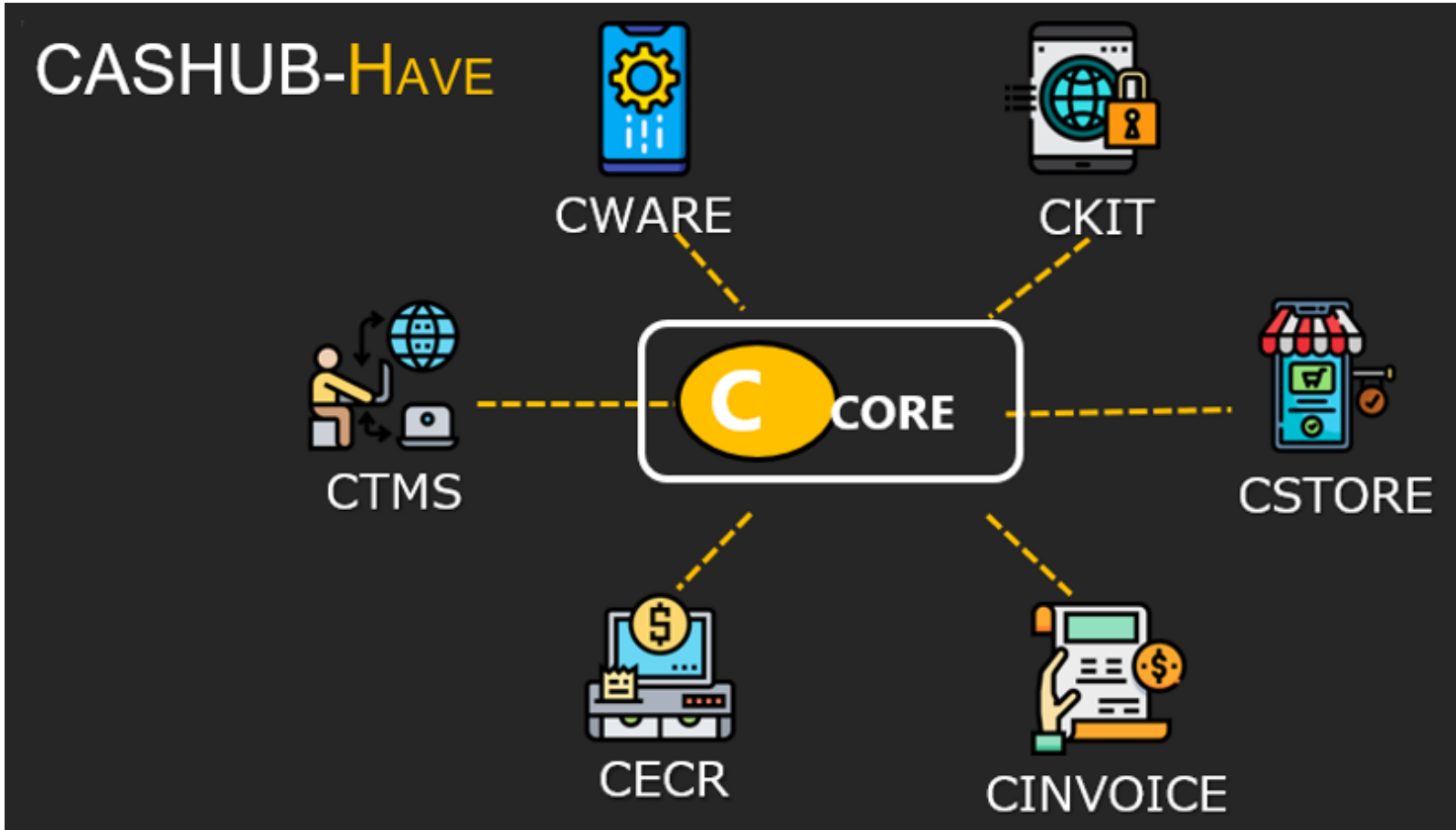
## 3. New Products and Applications



# New Products - POS



# New Products – Cloud Service





## 4. Operation Overview

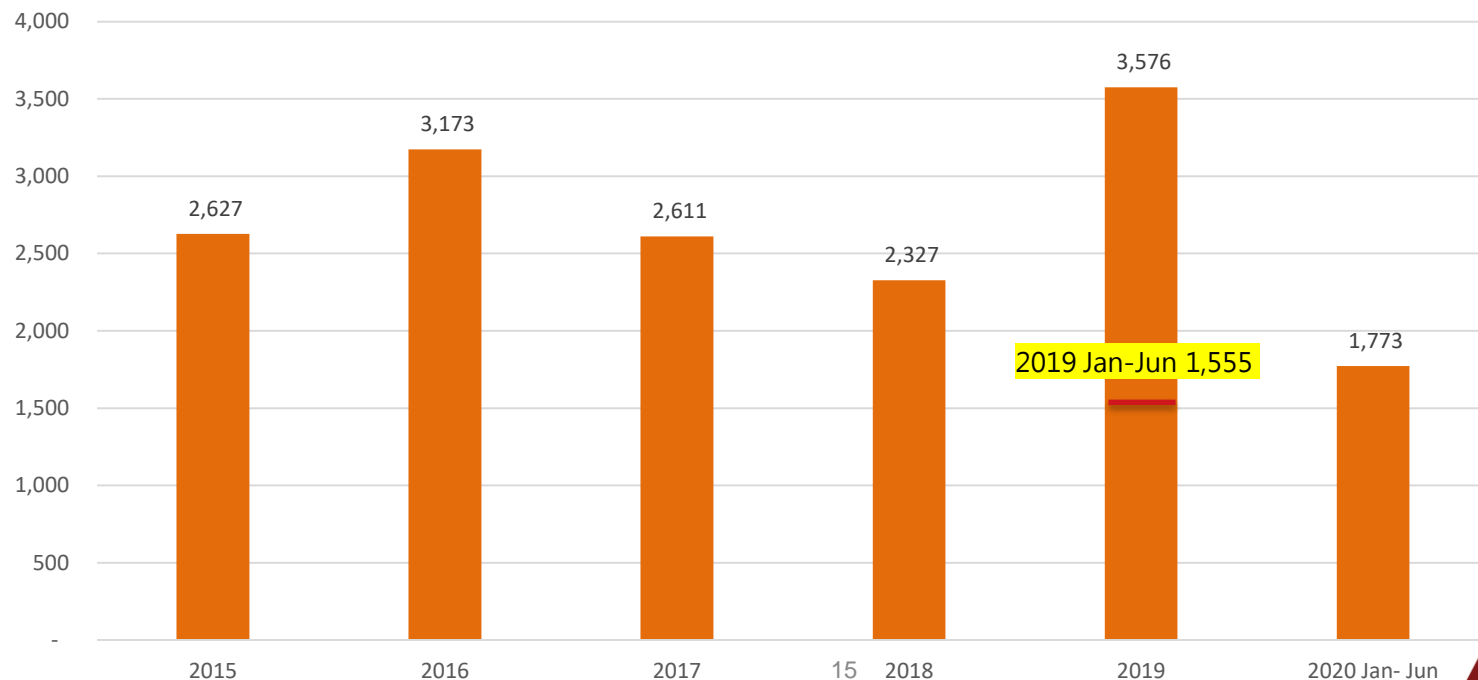


# Business Performance – Consolidated Revenue

- The 2020H1 consolidated revenue is NT\$ 1.77 billion, and it's increased by 14.02% than 2019H1 NT\$ 1.55 billion.

Unit : NTD Million

2015~2020 Jan- Jun Consolidated Revenue

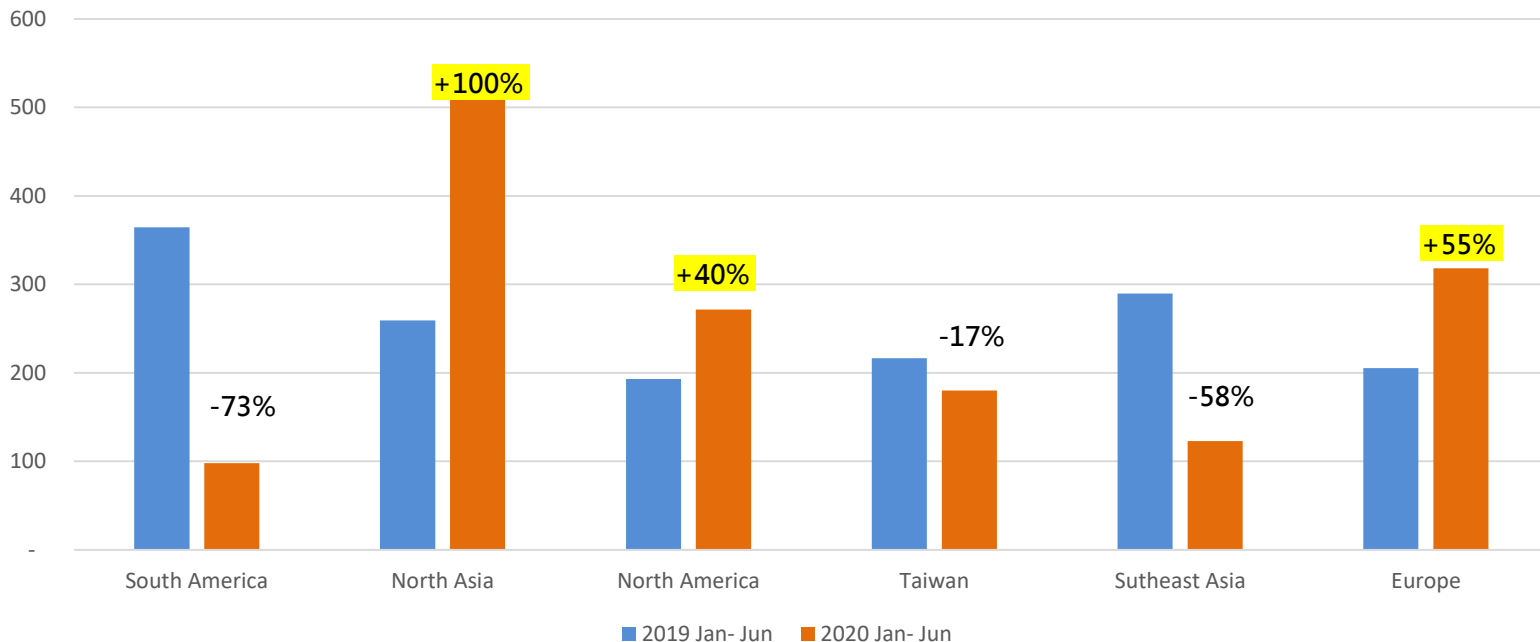


# Operation Overview

- The growth of 2020H1 consolidated revenue is mainly the customers from North Asia, North America, and Europe.

Unit : NTD Million

## Sales by Regions







## 5. Financial Overview



# Consolidated Income Statements

Unit : NTD Million

Items	2019 Jan-Jun	%	2020 Jan-Jun	%	YoY
Revenue	1,555.12	100%	1,773.15	100%	14%
Gross profit	405.92	26%	473.78	27%	17%
Operating expenses					
Selling expenses	118.00	8%	114.78	6%	(3%)
Administrative expenses	42.30	3%	48.24	3%	14%
Research and development expenses	163.66	11%	210.36	12%	29%
Impairment loss	324.86	21%	(2.58)	0%	(101%)
Total operating expenses	648.82	42%	370.80	21%	(43%)
Net operating loss	(242.90)	(16%)	102.98	6%	
Profit before income tax	(229.30)	(15%)	123.67	7%	
Comprehensive income	(190.00)	(12%)	93.67	5%	
EPS(NTD)	(2.29)		0.97		



## 6. Operating Strategies & Future Prospect



# Operating Strategies

## Enhancement

- Castles provides overall solution of hardware and software integration as main customers apply Castles Cloud service
- New products continually receive Europe and America certification
- Southern Europe offices obtain the largest local banking bid, intending to be the top three terminal provider in Europe

## Vertical integration of Industry Chain

- Establish global channels to increase market share via acquisitions and strategic cooperation
- Continually expand operation bases and strengthen regional service to become global solution provider

# Future Prospect

## Enhance Product Competitiveness

- Enhance product quality
- Reduce production and material cost
- Shorten lead time
- Strengthen supplier and customer relationship

## Opportunities and Challenges

- Positively looking forward to company sales and market share, but there is still a room for growth in the future
- With the impact of Covid-19, 3rd quarter is stable. Castles holds prudent and positive attitude toward 4th quarter to 1st quarter 2021

**Thank you Very Much**