Taiwan Tea Corp. 2023

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Executive Summary

- Established in 1950, Taiwan Tea (2913 TT) is dedicated in four major business lines: 1) Tea cultivation, tea leaf and tea product manufacturing and marketing; 2) Agriculture tourism; 3) Land asset operation outsourcing and 4) Land development

- TTC is the 2nd largest landowner in Taiwan with land asset of 3,747 ha, current market cap is US$ 560 mn (2023/3/24). 2022 revenue was NT$ 377mn

- In 2019, Mr. Wu, Ching-yuan was elected as the Chairman of Taiwan Tea. He initiated a series of margin improvement plan to turn TTC profitable.

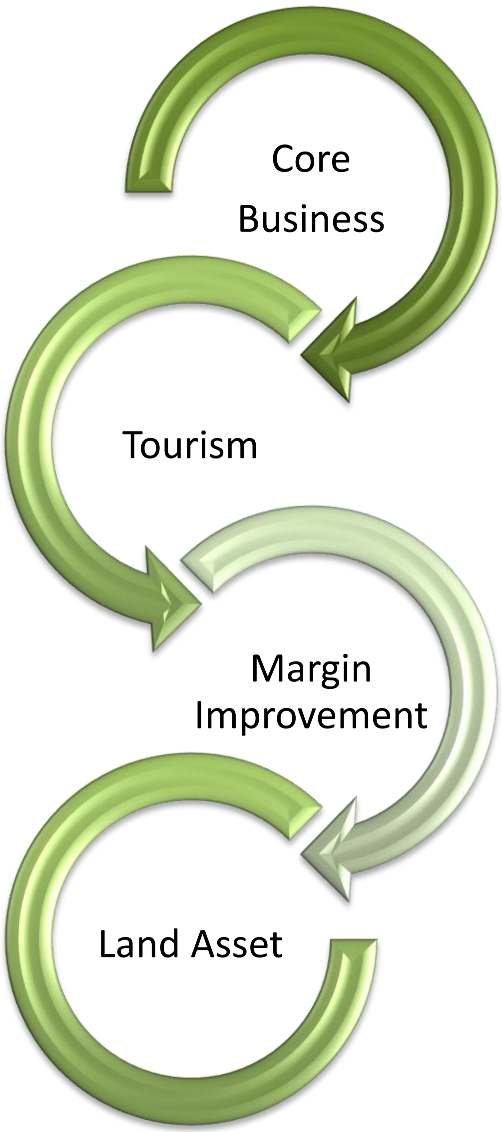
- Taiwan Tea also leverage its tea garden and tea culture to develop tourism business. At the same time, the management team actively review its own land assets for further development and collaboration, to create sustainable revenue and profit.

Strong Leadership

Chairman: Wu, Ching-Yuan

- Chairman Wu graduated from National Taipei University of Technology and hold the associate degree in Mechanical engineering， he also holds a Masters degree in architecture & Urban Planning from Chung Hua University.
- Mr. Wu was elected to be the Chairman in 2019 and was re-elected in 2022. He is now promoting corporate transformation and margin improvement.
- Chairman Wu spent 9 years to reform Sanyang Motor and led the company to achieve record high revenue and margin. Meanwhile, Chairman Wu will keep introducing the successful experience of Sanyang Motor and make TTC profitable in the shortest time.
- Under his leadership, Taiwan Tea’s revenue grew 26% versus 2019 and the revenue has grown four year in a row.

TTC's Way to Success



- Maintain and strengthen TTC's leading position in the tea market in Taiwan
- Taiwan Tea's tea leaf production reach 500 tons/ year, accounting for 3% of the total production of Taiwan.

- Leveraging tea plantations and land in the beautiful mountainous areas with great potential for tourism and leisure, and become a solid second revenue and profit stream.

- Under the new management team's observation and operation, to achieve the goal of sustainability and margin improvement, TTC will reform part of its tea and recreational business.

- The land capital of Taiwan Tea should be utilized properly. With continuous revitalization and reinvestment, to maximize the value of the land.

Tea Production

Photo Credit: https://ezgo.coa.gov.tw/zh-TW/Front/News/Det

Tea Garden & Factories

三義茶廠、銅鑼茶廠

SANYI、TONGLUO TEA FACTORY

Area: 4.5 ha

Cultivars : Oriental Beauty Tea

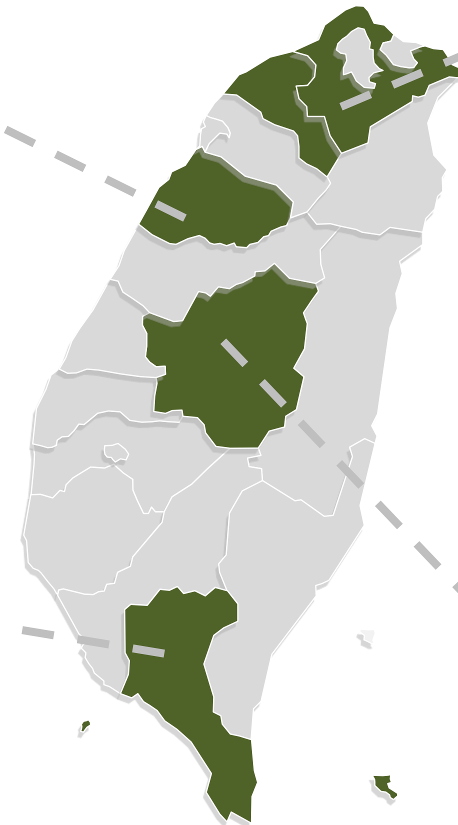
精製廠、老埤農場

LAUPI TEA FARM

Area:717 ha

(Tea Garden Approx. 150ha)

Cultivars: TTES No. 8,No. 12,No. 17,No. 18, No. 20 Chin-Shin Da Pan and Shi-Ji-Chun (Four Season)



熊空茶廠、大寮茶文館

XIONGKONG TEA GARDEN

Area: 3 ha

Cultivars : Organic Green Tea, black tea

魚池茶廠、日月老茶廠

ANTIQUE ASSAM TEA FARM

Area:20 ha

Cultivars : TTES No. 8、No. 18、No. 21

鹿篙咖啡莊園

LUGAO COFFEE GARDEN

Coffee Garden field: 13 ha

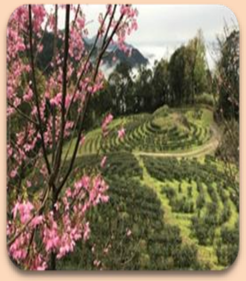
Local specialty : Sun Moon Lake Coffee

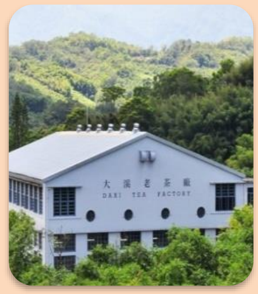
First Smart Tea Garden in Taiwan

Micro-weather management	We set up 6 micro-weather station and soil moisture sensor to monitor the parameters of plant growth, to analyze the best condition for cultivation.
Precision irrigation	Applying precision irrigation technology developed by Netafim. With 14,000 drip holes per hectare covering over 94% of planting area, we managed to save 70% of irrigation water and 50% of fertilizer.
Big data management	We applied 3 platforms to collect big data: 1) Smart Agri-management Platform(SAMP) for product traceability; 2) Dispatching App to monitor productivity of each production unit; and 3) Plant doctor App to monitor the entire process of cultivation.
Organic and High Quality	We started our organic plantation in 2003. TTC pledged to produce our tea leaf at the highest safety and highest quality standard. We also use biodegradable bioplastic for our product packaging.

Tourist Farm

Recreational Business Highlights





XIONGKONG TEA GARDEN (Outsourced)

165.8 ha

DALIAO HISTORICAL HOUSE

2.7 ha

DAXI TEA FACTORY

9.8 ha

TONGLUO TEA FACTORY

15.9 ha

ANTIQUE ASSAM TEA FARM

3.7 ha

LUGAO COFFEE GARDEN

7.5 ha

Recreation Operating revenue (Unit:NT$Thousand)	2022	2021	YoY Change	YoY Change (%)
Xiongkong Tea Garden	10,746	12,277	(1,530)	-12%
Daliao Historical House	1,840	1,729	112	6%
Daxi Tea Factory	31,952	22,474	9,478	42%
Tongluo Tea Factory	16,982	14,226	2,756	19%
Antique Tea Factory	66,282	54,709	11,572	21%
Lugao Coffee Garden	33,142	25,406	7,736	30%

Margin Improvement

Margin Improvement

NT$ mn	2016	2017	2018	2019	2020	2021	2022
Revenue	611	2,252	254	299	312	369	377
Gross Profit	275	740	116	121	125	118	165
Operating Profit	-38	386	-173	-169	-148	-182	-155

- Since the high operating costs of Taiwan Tea's tea cultivation and recreational tourism business are unfavorable to the company's profit, Chairman Wu has decided to make Taiwan Tea profitable in a short period of time, turning it into a sustainable enterprise.
  - Taiwan Tea will suspend its capacity expansion plan and turn 200+ ha of its tea garden into solar power plants in Miaoli, Nantou, and Pingtung.
  - To improve the operation efficiency and reduce the operating cost, Taiwan Tea will outsource the operation of its tourist farms gradually. Xiongkong Tea Garden will be the first outsourced tourist farm and the rest will be planned based on its operation result.

- The two plans above will be implemented in the next three to five years, turning Taiwan Tea to profit making in the shortest period.

Land Development

Land Development - Selected cases

Commercial Park

TTC Sanyi Industrial/Commercial Park

- In 2022, acquired feasibility planning approval
- In 2023, acquired project development approval
- In 2023, acquired approval of the Environmental Impact Assessment Committee

Industrial Park

Northern Miaoli Tongluo Industrial Park

- In 2021, acquired feasibility planning approval
- In 2023, under the review of the regional development committee
- In 2023, under the review of the Environmental Impact Assessment Team

Residential Project

Miaoli Tongluo Residential Project

- In 2014, acquired development permission
- In 2019, completed water conservation and land preparation
- In 2019, completed revising land functional zone

Shopping Mall/ Hotel

Miaoli Tongluo Industrial / Commercial Park

- In 2014, acquired development permission
- In 2018, water conservation and land preparation plan permitted
- In 2019, completed revising land functional zone

Development Process

- ✓ Profession consulting
- ✓ Potential cases selection
- ✓ Financial investment

Land Development

Increase asset value

- Land asset vitalization is our main goal since 2007
- Developed large land cases step into constructing and operating phases
- Collaborate with financial partners for the projects completed changing of land category

Land Development Strategy

To increase asset value

- Revitalize land asset and evaluate the potential profit of each project
- Initiate promising development projects in accordance with government's land policy
- Collaborate with financial partners for the projects completed changing of land category

Land Development Cases

Completed Projects
→ Investment promotion

- Miaoli Tongluo Industrial / Commercial Park — Seeking business partner
- Northern Miaoli Tongluo Residential Project — Seeking business partner

New Projects
→ Target to get official approval

- TTC Sanyi Industrial/ Commercial Park — Acquired EIA Committee's approval
- Northern Miaoli Tongluo Industrial Park — Under the review process
- Southern Miaoli Tongluo Recreational Park — Under planning and preparation

Recreational Business Strategy

Develop recreational business

- Develop and expand tea tourism business
- Transform existing agricultural facilities into tourist farm
- Build up well organized agriculture tourism business

Recreational Business

Currently under operation
Filing for business registration for tourist farm

New Taipei, Sanxia Xiongkong Tourist Farm	Taoyuan, Daxi Shimen Tourist Farm	Miaoli, Tongluo Jiuhu Tourist Farm
Seeking operating partners	Seeking operating partners	Currently under operation

Transform existing facilities
→Keep focusing on reformation of existing tea/ agricultural facilities

Nantou, Yuchi Lugao Coffee Garden	Miaoli, Tongluo Zhuwei Animal Farm
Under planning and preparation	Under the review process

Environmental, Social, Governance Highlights

ESG: Resource Protection & Reduction

Intelligent Irrigation

- 6 micro weather stations
- 70% reduction in water usage
- 50% reduction in fertilizer usage
- Water storage facilities to reduce groundwater extraction during drought conditions

NETAFIM™ GROW MORE WITH LESS

Forest Conservation

- 475 hectares of afforestation
- Protection of old-growth forest
- 20+ endemic animals sighted on company properties

Energy Efficiency

- 538 kW of rooftop solar
- 688 MWh of electricity production annually
- NT$180k per annum electricity reduction by LED light replacements
- High efficiency gas boiler upgrade

Biodegradable Packaging

- Since 2014, most tea bags, threads, & labels are made from biodegradable materials at a higher cost

Global Recognition on ESG Performance

Sustainalytics Score

- 13.5 Sustainalytics score
- Ranked 2nd out of 181 in industry by Sustainalytics

International Certification

- ISO22000 & HACCP International food safety certification
- Requires TQF, HACCP, ISO, BRC, FSC certification from supplier

Quality Assurance

- Passed 473 pesticide residue inspection
- Certified organic products
- 99.2% of products passed SGS inspection

Diversity & Equality

- 53% male, 47% female workforce
- 1:1.2 female to male pay ratio at the supervisor level
- 1:1.02 female to male pay ratio at non-supervisor level

Sustainability Funds

- Inclusion in DFA Emerging Markets Social Core Equity Portfolio
- Inclusion in DFA Emerging Markets Sustainability Core 1 Portfolio

Financials

Historical Cash Dividend 2018-2022

NT$ mn	2018	2019	2020	2021	2022
Net Income	$-42	$-146	$-17	$-1,122	$-1,635
Cash Dividend	$237	$0	$0	$0	$0
DPS (NT$/share)	$0.30	$0.00	$0.00	$0.00	$0.00
Cash Yield (%)[1]	1.9%	0.0%	0.0%	0.0%	0.0%
Payout Ratio (%)	-	0%	0%	0%	0%
Ex-div Date	*2019/8/23*	-	-	-	-

Source:TEJ, Capital IQ

Note 1 ： Stock price based on closing price the day before Ex-div date

5-year Income Statement

NT$ Million	2018	2019	2020	2021	2022	YoY (%) 2018	2019	2020	2021	2022
Sales Revenue	254	299	312	369	377	(88.7)	17.6	4.3	18	2.2
Gross Profit	116	121	125	118	165	(84.4)	4.5	3.1	-5.6	40
Operating Profit	-173	-169	-148	-182	-155	(144.8)	-	-	-	-
Income before Tax	-54	-173	-33	-1,135	-1,614	(108.9)	-	-	-	-
Net Income to Parent	-42	-146	-17	-1,122	-1,635	(106.7)	-	-	-	-
EPS (NT$)	-0.05	-0.18	-0.02	-1.42	-2.07	(106.6)	-	-	-	-

Key Financial Ratio (%)					
Gross Margin	45.5	40.4	40.0	32	44
Operating Margin	(67.9)	(56.5)	(47.3)	(50)	(41)
Opex ratio	113.4	96.9	87.3	82	85
Net Margin	(16.5)	(48.8)	(5.6)	(304)	(434)

5-year Balance Sheet

NT$ Million	2018	2019	2020	2021	2022	YoY (%) 2018	YoY (%) 2019	YoY (%) 2020	YoY (%) 2021	YoY (%) 2022
TOTAL ASSETS	**24,356**	**24,596**	**25,098**	**24,249**	**21,850**	**3.1**	**1.0**	**2.0**	**(3.4)**	**(9.9)**
Cash	186	125	176	215	239	(5.9)	(32.6)	40.5	22.2	11.1
NR & AR	15	19	18	38	33	(26.4)	19.9	(5.5)	111.1	(13.1)
Inventory	823	885	895	902	946	4.0	7.6	1.2	0.8	4.8
Fixed Asset	6,017	6,092	6,504	6,693	6,250	40.8	1.2	6.8	2.9	(6.6)
TOTAL LIABILITIES	**8,204**	**8,832**	**9,306**	**9,572**	**8,864**	**11.9**	**7.7**	**5.4**	**2.9**	**(7.4)**
Bank Loans	4,640	5,396	5,923	6,253	5,549	38.5	16.3	9.8	5.6	(11.3)
NP & AP	18	13	16	37	14	(95.8)	(28.2)	19.6	131.3	(62)
TOTAL EQUITY	**16,152**	**15,764**	**15,792**	**14,678**	**12,986**	**(0.8)**	**(2.4)**	**0.2**	**7.1**	**(11.5)**

A/R days	26.2	20.7	21.1	26.7	33.5
Inventory days	2,124.9	1,749.5	1,736.3	1,304	380
A/P days	604.4	32.4	28.3	38.0	43.5
ROE (%)	(0.3)	(0.9)	(0.1)	(7.4)	(11.8)
ROA (%)	(0.2)	(0.6)	(0.1)	(4.3)	(6.7)

Q & A

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