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# Test Rite Group (2908:TT) 2Q17 IR Presentation

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*2017 August*

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- Beginning on January 1, 2013, the Company has adopted International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board and endorsed by ROC Financial Supervisory Commission (FSC). Reporting for our annual and interim consolidated financial statements follow Taiwan IFRS requirements, however, given that there exist material differences between Taiwan IFRS and generally accepted accounting principle in the Republic of China (ROC GAAP), selected comparison of financial results in 2013 may have material differences versus previously released financial information under ROC GAAP.

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# Agenda

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# 2Q2017 Snapshot

## 2Q2017 GROUP OVERVIEW

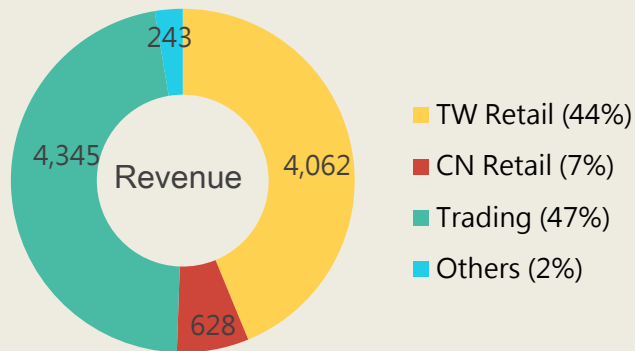
NT\$ 9,278M  
Revenue

NT\$ 2,667M  
Gross Profit

NT\$ 148M  
Operating Profit

NT\$ 132 M  
Net Profit

NT\$ 0.26  
EPS



TLW (TW)  
27 stores

HOLA (CN)  
28 stores

HOLA (TW)  
25 stores

Brand Agency  
22 brands

TLW Private Label  
12.1%

HOLA (TW) Private Label  
32.1%

Total Retail Revenue  
NT\$ 4,062M

Total Trading Shipment  
NT\$ 8,066M

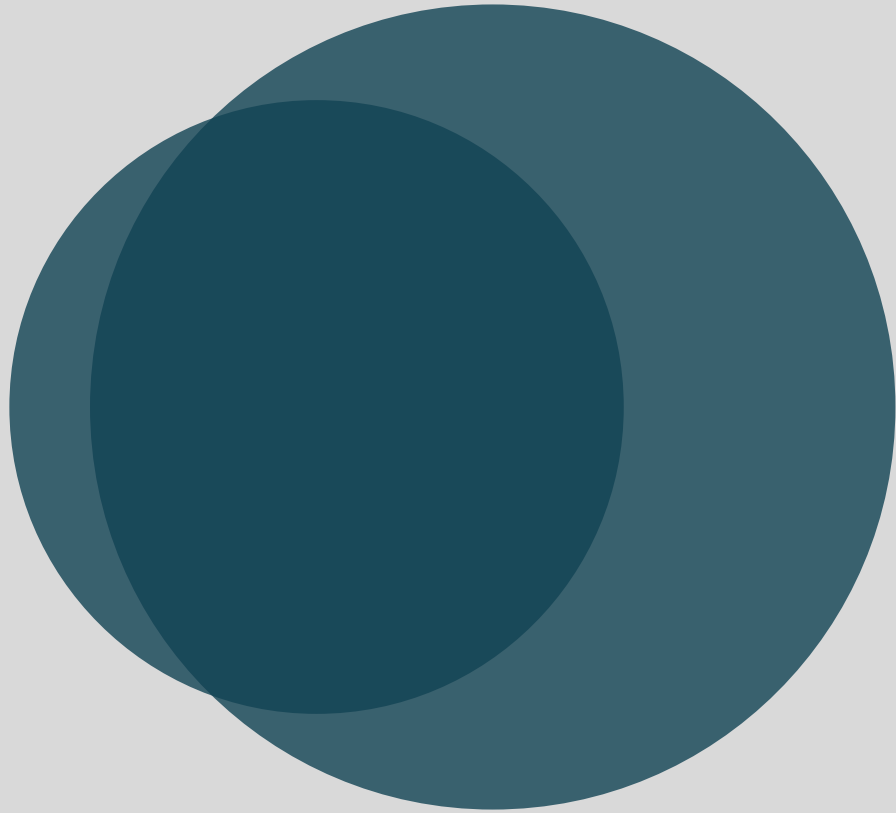
N. America Shipment  
86.5%

Europe Shipment  
8%

Global Presence  
11 countries/14 offices

Warehouse  
4 countries

Global Employees  
5,828 people



# FINANCIAL HIGHLIGHTS

# Financial Highlights 2Q17

## Revenue (YoY)

2Q17: 5.9 %

2Q16: -2.3 %

## Gross Profit

2Q17: 28.7%

2Q16: 31.2%

Gross margin is decreased because most of the revenue growth result from trading which is lower margin.

## Operating Profit

2Q17: 2.1%

2Q16: 2.1%

Benefited from the lowered operating expenses in HOLA China, the consolidated operating profit is increased.

(NT\$ mn)	2Q17	2Q16	YoY% chg	FY2017	FY2016	YoY%chg
Revenue	9,278	8,758	5.9%	18,995	18,400	3.2%
COGS	(6,611)	(6,022)	9.8%	(13,391)	(12,560)	6.6%
Gross profit	2,667	2,736	-2.5%	5,604	5,840	-4.0%
Operating Expense	(2,473)	(2,549)	-3.0%	(5,002)	(5,299)	-5.6%
Operating profit	194	187	3.9%	602	541	11.3%
Non-operating income/loss	(46)	26	NA	(71)	67	NA
Pre-tax profit	148	213	-30.1%	531	608	-12.6%
Net profit	132	117	12.9%	440	423	3.9%
Other net profit	66	(43)	NA	(39)	(52)	-25.0%
Total net profit	198	74	167.1%	401	371	7.9%
Net profit attribute to TRIC shareholders	132	117	12.9%	440	423	3.9%
NT dollar (After Tax)						
Basic EPS	0.26	0.23	11.2%	0.86	0.83	3.5%
Diluted EPS	0.26	0.23	11.2%	0.86	0.83	3.5%
Gross margin	28.7%	31.2%	-2.5%	29.5%	31.7%	-2.2%
Operating margin	2.1%	2.1%	0.0%	3.2%	2.9%	0.2%
Pretax margin	1.6%	2.4%	-0.8%	2.8%	3.3%	-0.5%
Net margin	1.4%	1.3%	0.1%	2.3%	2.3%	0.0%

# 2Q17 by BU

## Revenue by BU

The growth of trading has been benefited from new customers' orders. On the other hand, Taiwan retail is affected by the chill real-estate market. HOLA China sales decreases due to closures of unprofitable store.

## Net Profit by BU

Trading net profit is lower due to stronger Taiwanese dollar and increased marketing and promotion expenses in this quarter.

Both Sales and net profit of Taiwan retail is affected by the macroeconomic. On the other hand, HOLA China has contributed largely by savings of operating expenses. Losses of HOLA China has decreased 35.7%, therefore, increased 12.9% of the group consolidated net profit.

Sales by BU (NT\$ mn)	2Q17	2Q16	YoY% chg	FY2017	FY2016	YoY%chg
Taiwan Retail ▲	4,062	4,240	-4.2%	8,512	9,078	-6.2%
HOLA China ^	628	853	-26.4%	1,380	1,797	-23.2%
Trading ◎	4,345	3,370	28.9%	8,643	6,959	24.2%
Others #	243	295	-17.5%	460	566	-18.8%
<b>Consolidated Sales</b>	<b>9,278</b>	<b>8,758</b>	<b>5.9%</b>	<b>18,995</b>	<b>18,400</b>	<b>3.2%</b>
Net Profit by BU (NT\$ mn)	2Q16	2Q17	YoY% chg	FY2017	FY2016	YoY%chg
Taiwan Retail ▲	80	91	-12.2%	315	341	-7.5%
HOLA China ^	(84)	(130)	-35.7%	(153)	(227)	-32.8%
Trading ◎	148	198	-25.0%	348	401	-13.2%
Others #	(12)	(42)	-70.8%	(70)	(92)	-21.9%
<b>Consolidated Net Profit</b>	<b>132</b>	<b>117</b>	<b>12.9%</b>	<b>440</b>	<b>423</b>	<b>3.9%</b>

◎ Trading included Great China, TRPC, SO/RO, and related party transactions write-off.

▲ Taiwan Retail included TLW, HOLA, Décor House, TLW Service, Testrite Brand Agency, and Test Rite C&B.

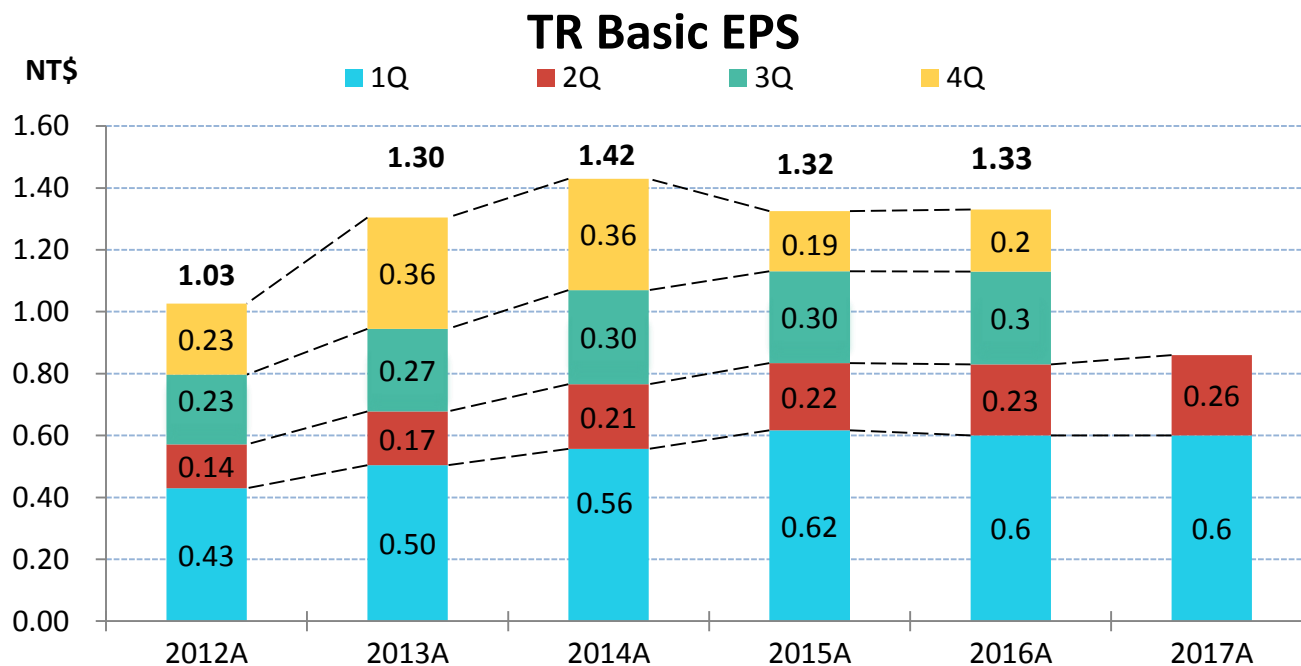
^ HOLA China only included HOLA China.

# Others included Life 1 Plaza, TRR others, Chung Cin, group office expense, and gain on sale and leaseback

# Stable Cash Div. and High Tax Deductable

NT\$	2012A	2013A	2014A	2015A	2016A	2017A
Cash dividend	1.08	1.00	1.13	0.95	1.08	-
Payout rate	77.1%*	76.9%	79.6%	72.0%	81.2%	-
Tax Deductable	20.48%	20.48%	20.48%	20.48%	20.48%	-

\* EPS 1.4 on R.O.C. GAAP basis





# Long-term Investment Value



Only 12 companies in the service industry can keep up in the top 100 list for over 30 years.

Company Name	1986 Ranking	2016 Ranking
Taiwan Power Co.	1	1
China Telcom	2	6
China Airline Co.	3	10
Evergreen Marine Co.	4	12
YangMing Marine Co.	7	13
Taiwan Railway Admin.	8	55
Taiwan Water Co.	13	48
Far Eastern Dept. Store	14	32
HoTai Motor	17	9
CTCI Construction	33	22
Wan Hai Lines Co.	37	24
Test-Rite	43	41

In such a rapidly changing environment of service industry, most of the survivors are state-owned companies.

It again proves our value of steady corporate management. Also showing our continuous efforts to **deliver long-term investment value for all investors.**

# Best Interest of Shareholders

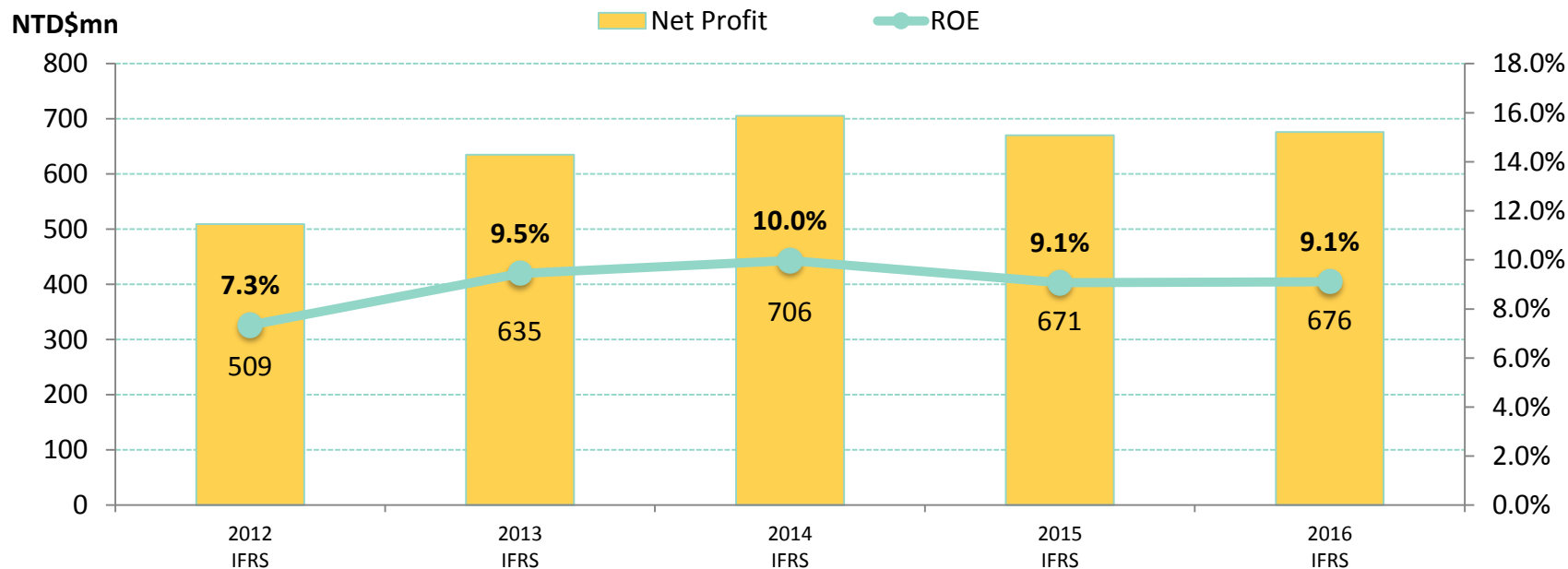
## Test Rite pursues best interests of shareholders

ROE is stable at 9-10% in the past 3 years

## Highly Transparent

Test Rite is awarded by TWSE as the top 6%-20% best corporate governance public company.

### TR Group ROE & Net profit



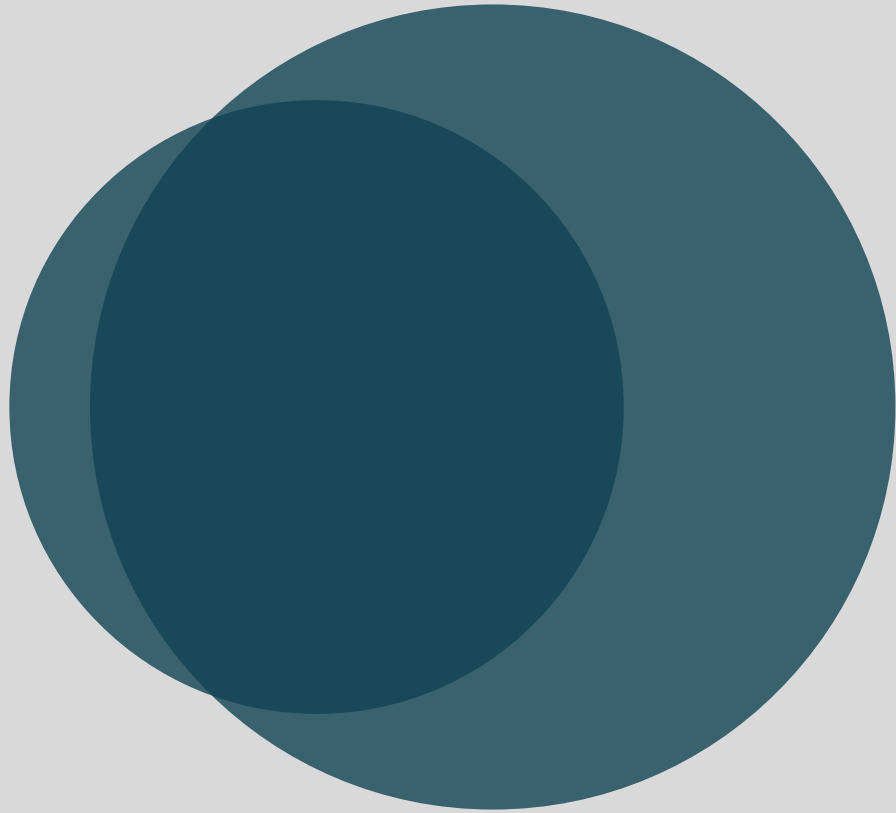
# 2017 Outlook

## Trading Business

- 1) Transforming to product company and strengthening product development ability
- 2) Provide value-added services to enhance sourcing and supply chain management
- 3) Strengthening strategic alliance with the trading partners to increase shipments.
- 4) Developing 3<sup>rd</sup> party QA/QC business
- 5) Integrating the newly acquired German subsidiary to expand European business
- 6) Reaching synergies of group trading and retail business
- 7) Continuing to enhance customer relationships

## Retail Business

- 1) Store opening schedule in 2017
  - TLW, HOLA TW : no new store
  - Crate & Barrel: no new store ; online store will open in the first half year.
  - Brand agency will expand presences in department stores.
  - HOLA CN: no new store, but it will focus on reviewing profitability of each store and developing EC/Franchise model.
- 2) Enhancing customers experiences in physical store
- 3) Through the integration of POS system, we hope to fully eliminate the boundary in terms of product, payments, membership and marketing. Hence guiding our massive offline memberships to online.
- 4) Strengthening TLW Home services business unit to extend our services into customers' home, and cooperating with real-estate developers.
- 5) Raising the sales mix of private label
- 6) Joint merchandise



# GROUP INTRODUCTION

# Key Management Team



Tony Ho, Group Chairman; Co Founder of Test-Rite Group. Tony played a critical role in Test-Rite's expansion into retail business and was instrumental in leading the company's IPO efforts. Tony recently completed the two-year Joint Executive MBA Program between Taiwan University and Fudan University and completed his graduation thesis: "How to pursue further growth by organization transformation-take large retail group for example."

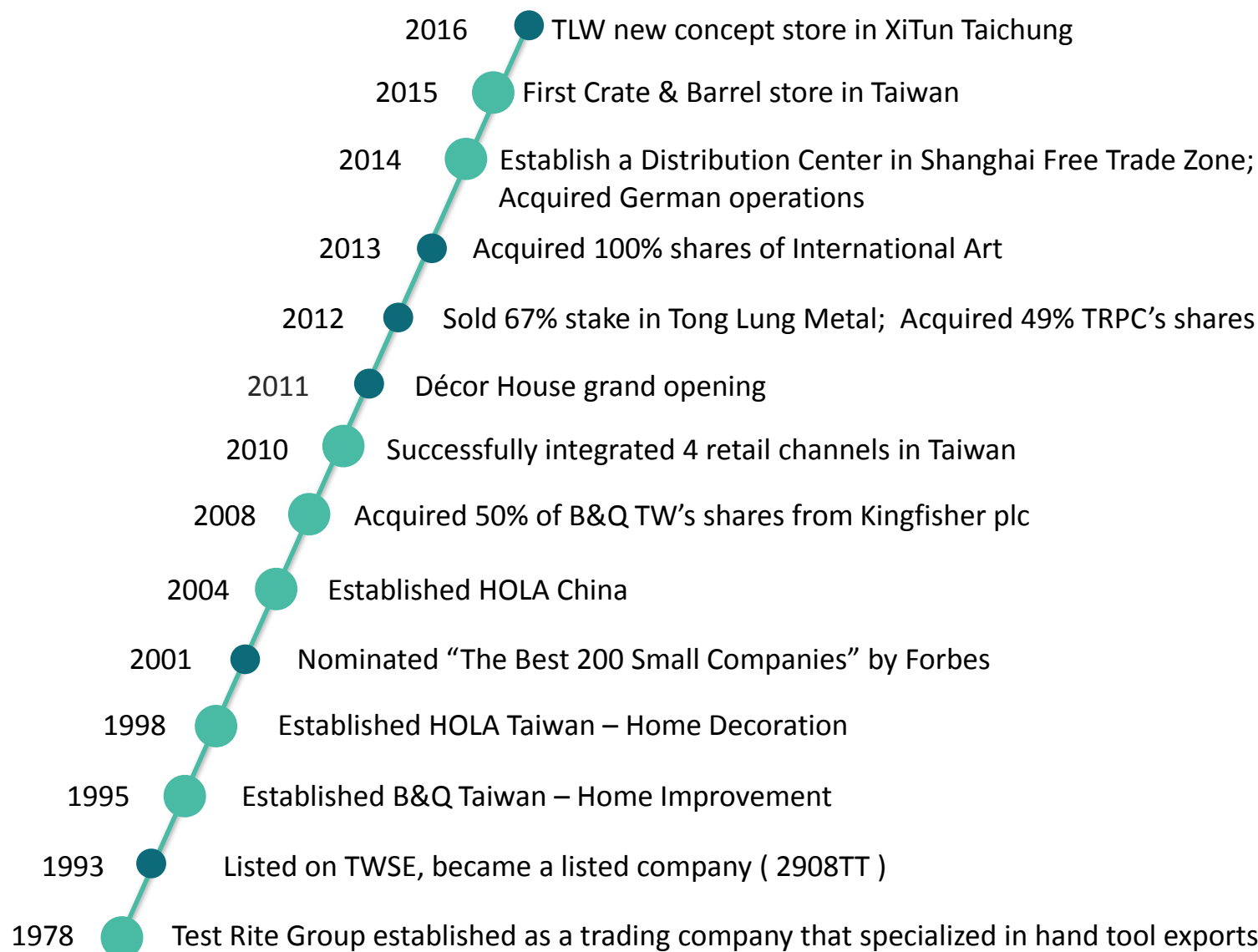


Judy Lee, Chairwoman, Test-Rite Int'l (2908 TT/2908 TW); Co Founder of Test-Rite Group. Best known as the "Queen of Hardline", Judy is a seasoned veteran of the import/export trading business. With Judy at the helm, Test-Rite Trading consistently provides outstanding services to retail customers globally and has received multiple recognitions as "Best Partner/Supplier". Judy is also awarded by "EY Entrepreneur of the Year" in 2015.



Sophia Tong, Group CEO. Sophia joined Test-Rite in March 2009 to lead both Trading and Retail businesses. Prior to Test-Rite Sophia was the General Manager of IBM Taiwan from 2006 to 2009 and the Director of China Banking Cluster for IBM Greater China Group. Sophia was previously with IBM for over 25 years.

# Milestones

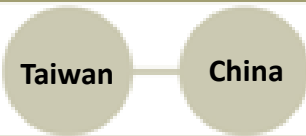


# Group Structure

## Test Rite Retail Business Group (2Q2017 Revenues: ~NTD\$ 4.1bn)

<b>Home decoration</b>	HOLA Taiwan (25) China (28)
<b>Home Improvement</b>	TLW 特力屋 (27), TLW PLUS (1), HISU(2),
<b>Mattresses &amp; Bedding</b>	HOLA CASA (25), HOLA Petite(6), WEDGWOOD(14), FRETTE(6), Zucchi (3), Elle(1)
<b>Comprehensive home integration services</b>	DÉCOR House
<b>Brand Agency</b>	Crate & Barrel (2)

### Market deployment



## Test Rite Trading Business Group (2Q2017 Shipment Value: ~NT\$8.1 bn)



### Market deployment



## Other investment holdings

### Creative Design/ Product Development

Theme Trend & Product Concept; Product Design; VI & Graphic Design; Packaging & Purchasing

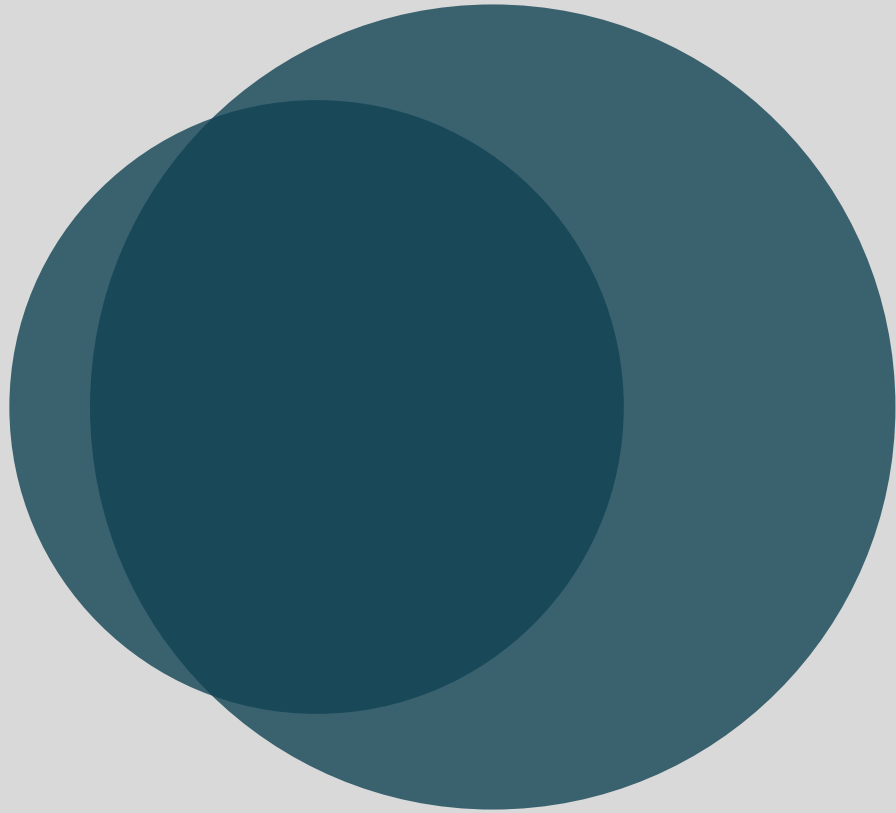
### Chung Cin Corp.

Shopping mall construction; Office building construction; Booth recruitment

### Logistics/ warehousing services

China  
USA  
Taiwan  
Europe

Note: store numbers updated on June 30<sup>th</sup>, 2017

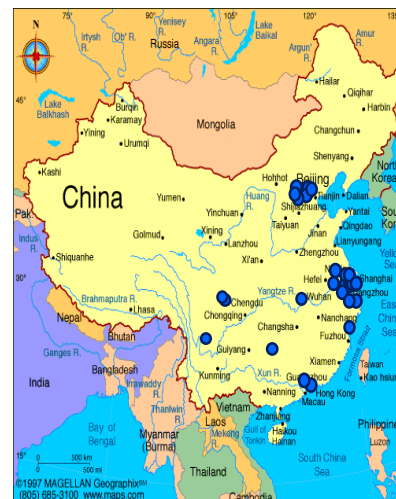


# RETAIL SECTOR



# Building the best “Home-related” channel

Store #	2012A	2013A	2014A	2015A	2016A	2Q2017
TLW	24	26	26	26	27	27
HOLA TW	21	22	23	25	25	25
HOLA CN	31	33	35	38	33	28
Avg. selling space(m <sup>2</sup> )	2012A	2013A	2014A	2015A	2016A	2Q2017
TLW	3,696	3,541	3,541	3,410	3,727	3,634
HOLA TW	2,466	2,414	2,311	2,179	2,218	2,229
HOLA CN	2,054	1,904	1,853	1,867	1,881	1,998



## Store Locations



# Improve Margin by Private Label

2Q2017

TLW Sales mix 12.1%  
HOLA Sales mix 32.1%



## Mid-term Goal

TLW: reaches 15%  
HOLA: reaches 30%

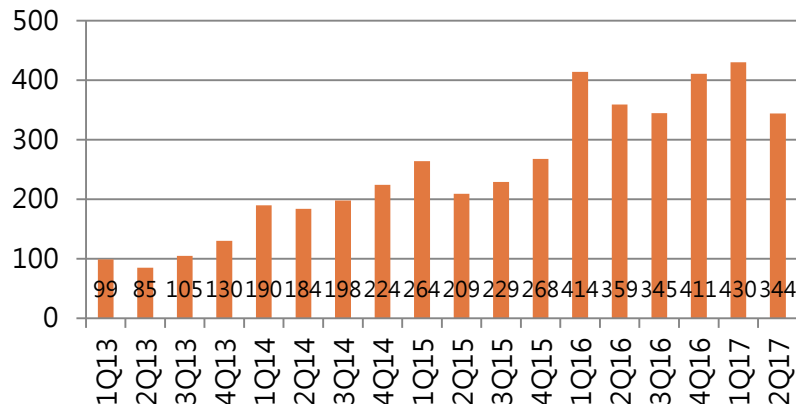
## Long-term Goal

TLW: reaches 30%  
HOLA: reaches 50%

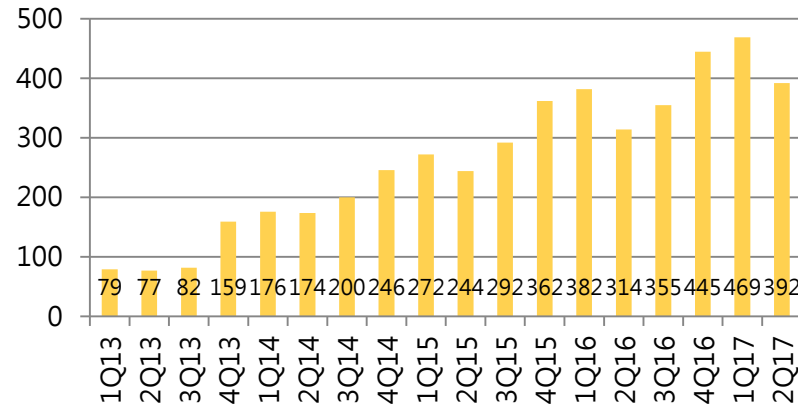
- Save costs by joint-merchandise
- Leading home décor trend by strengthening PL designing ability



TLW PL Sales(Quarterly)



HOLA PL Sales(Quarterly)



# Omni-Channel Development

## 2Q2017

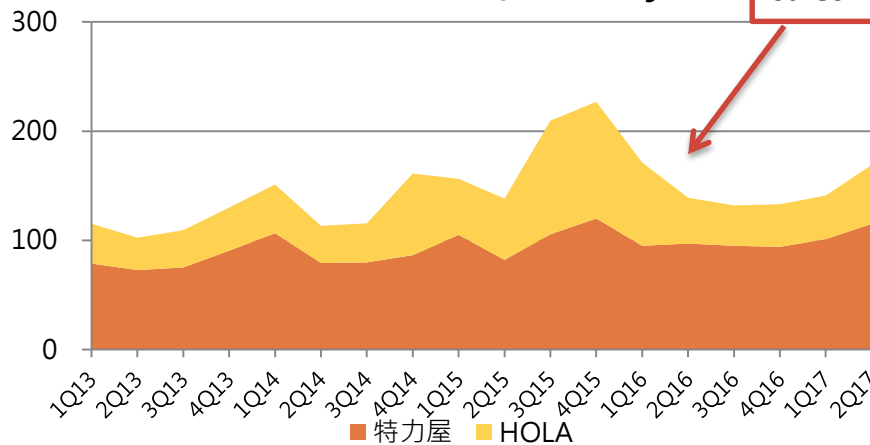
- TLW EC Sales mix 4%
- HOLA EC Sales mix 4.4%



## 2017 Goal

- Growth of EC traffics and product skus
- New version of EC platform
- Improve customers experiences in physical stores
- Transforming online traffic to offline shoppers

EC Sales (Quarterly)



The decrease is mainly because TLW and HOLA discontinued to distribute physical stores coupons online. Actually, the EC sales keeps growing.

Current

TLW online skus >40,000

HOLA online skus >30,000

Online sales per ticket is about 1.5-2x times of physical stores

# Growth Driver – Brand Agency

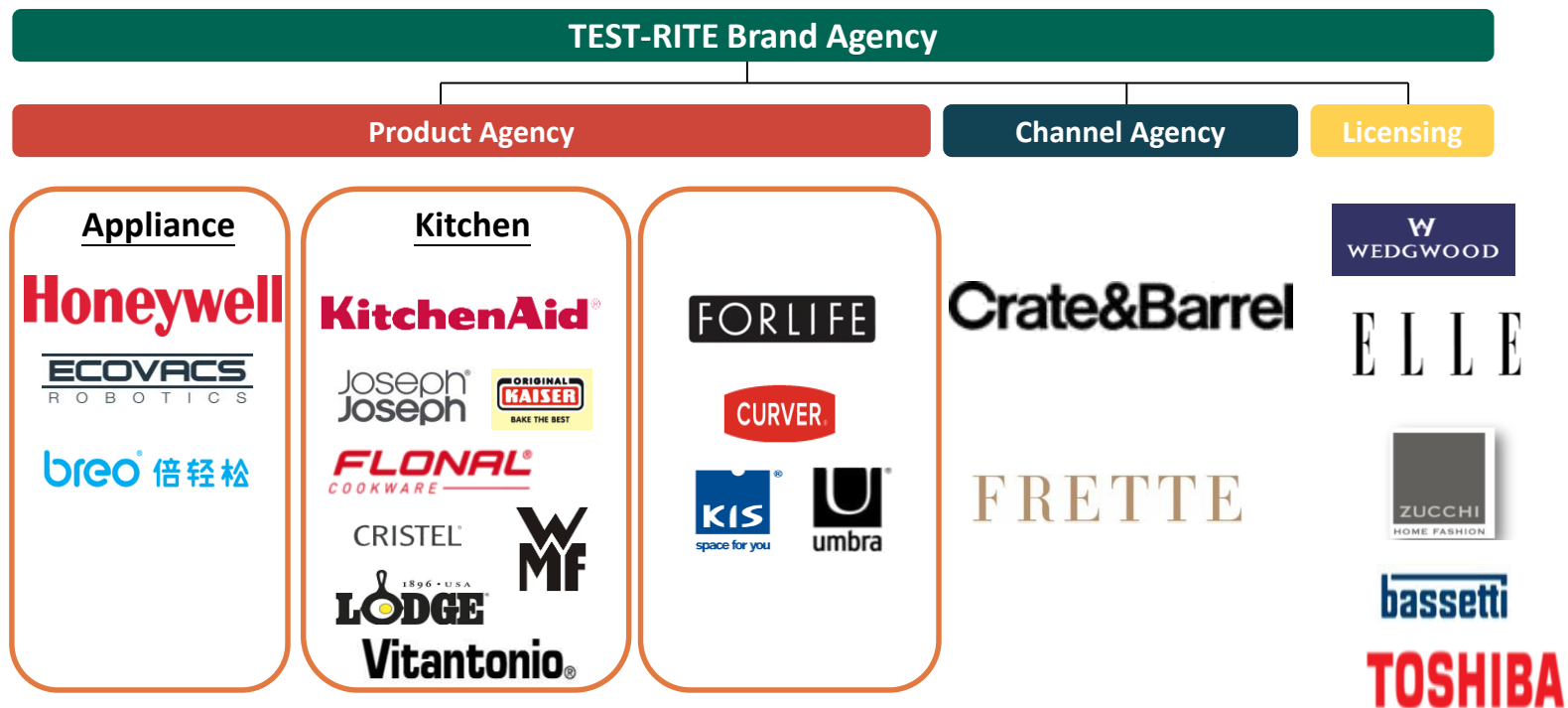
2Q2017

Total of 22 brands agency



2017 Goal

- Increase the brand awareness in the market
- Increase channels in department stores



# HOLA China Strategy

## 2Q2017

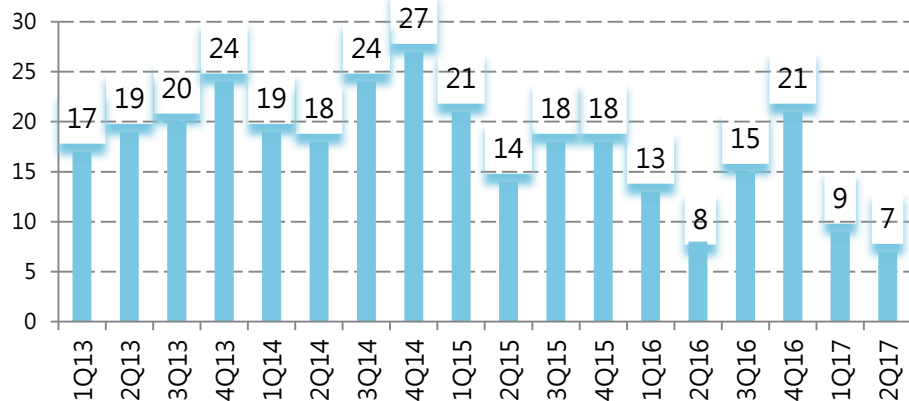
- Private Label Sales mix: 20.9%
- EC Sales mix: 2.14%
- Self-Supported Sales mix 60.2%



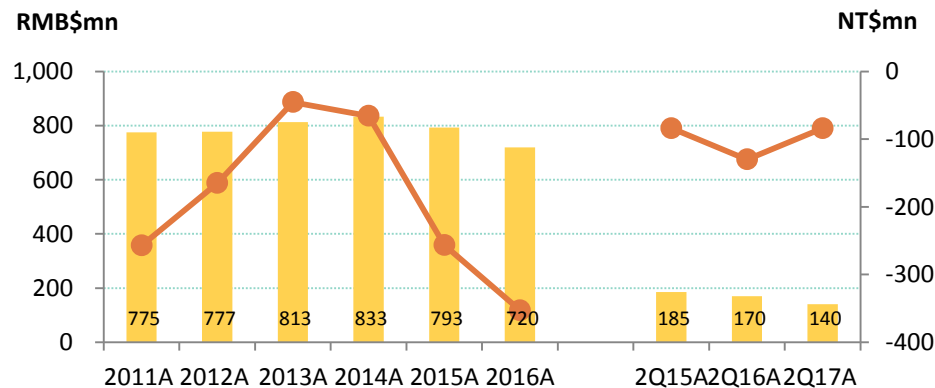
## 2017 Goal

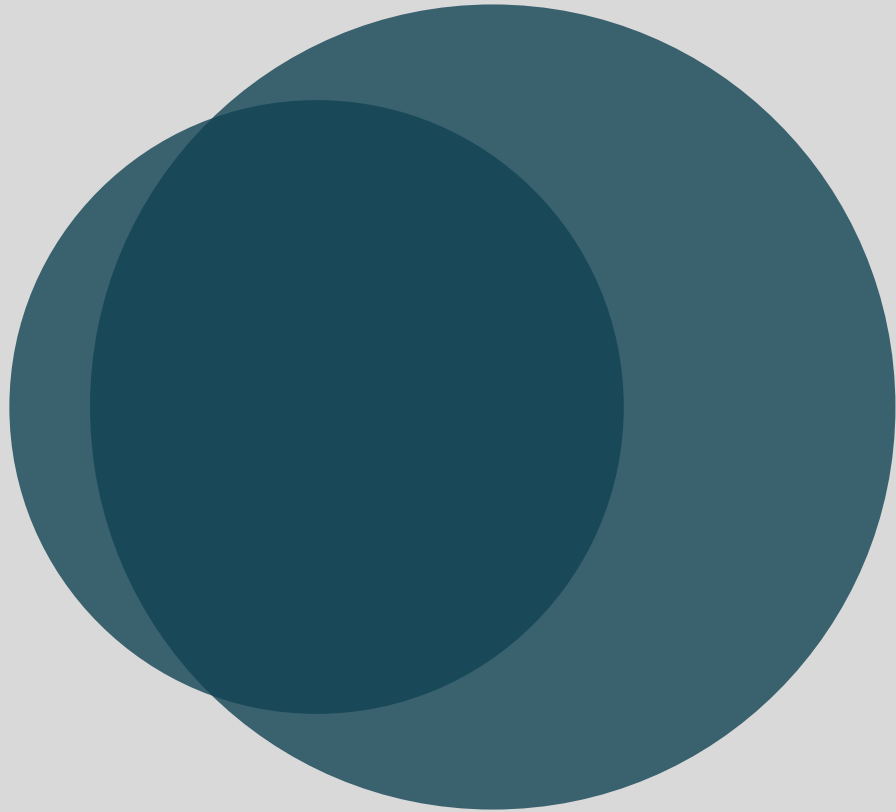
- Increase Self-Supported sales, PL sales and joint merchandise
- Improve store level profit and decrease headquarter costs to reach breakeven point
- Making structural adjustment by actively shut down those stores which can't achieve profitability goals.

HOLA CN Breakeven store numbers



HOLA CN Net Sales & Profit





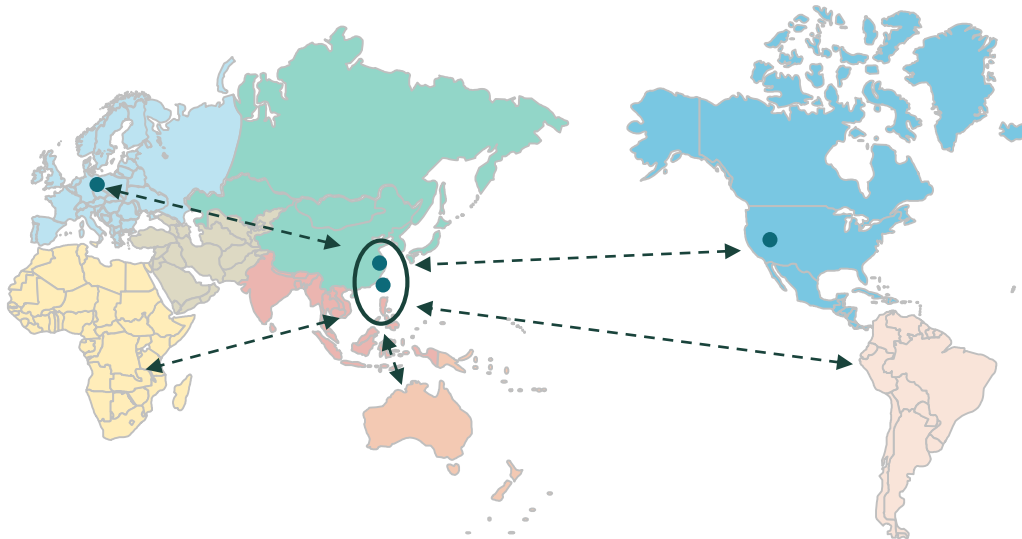
# TRADING SECTOR

# Global Worldwide Network



- With local service of 14 offices in 11 countries/region, 4 warehouses in China, Taiwan, Germany, and U.S separately.
- US warehouse provides logistics/ warehousing service to customers of principal trading

## Worldwide Trading Service



## China Trading Service



● TESTRITE's Warehouse

# Partner with Global Retail Giants

Provide value-added services and supply chain management in Principal Trading



Growth of Agency Trading





# N. America drives the growth

## 2Q2017

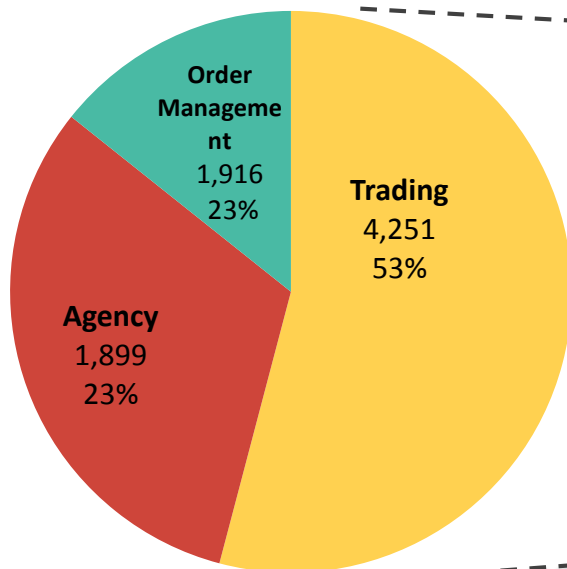
- N. America remains to be the fastest growing market. Accumulated shipment to the region has 41.5% YoY.
- Electrical and Hardline products are outperformed. Seasonal/ outdoor category is sluggish because of the weather is not favor for outdoor products in Europe.



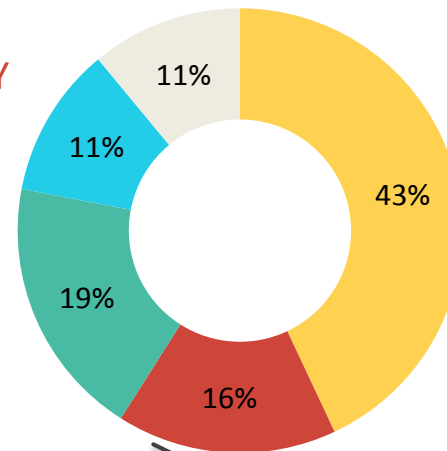
## 2017 Goal

- Hardline and House Ware keep growing
- Closely work with the strategic alliances to further boost trading shipments.
- Transforming to product company and strengthening product design ability
- Acquiring new customers in Agency

Total Shipment NT\$8,066M



Total Shipment  
12.3% growth YoY



## Trading by Category

- Hardline
- House Ware
- Seasonal
- Electrical
- Others

# Shipment growing

## 2Q2017

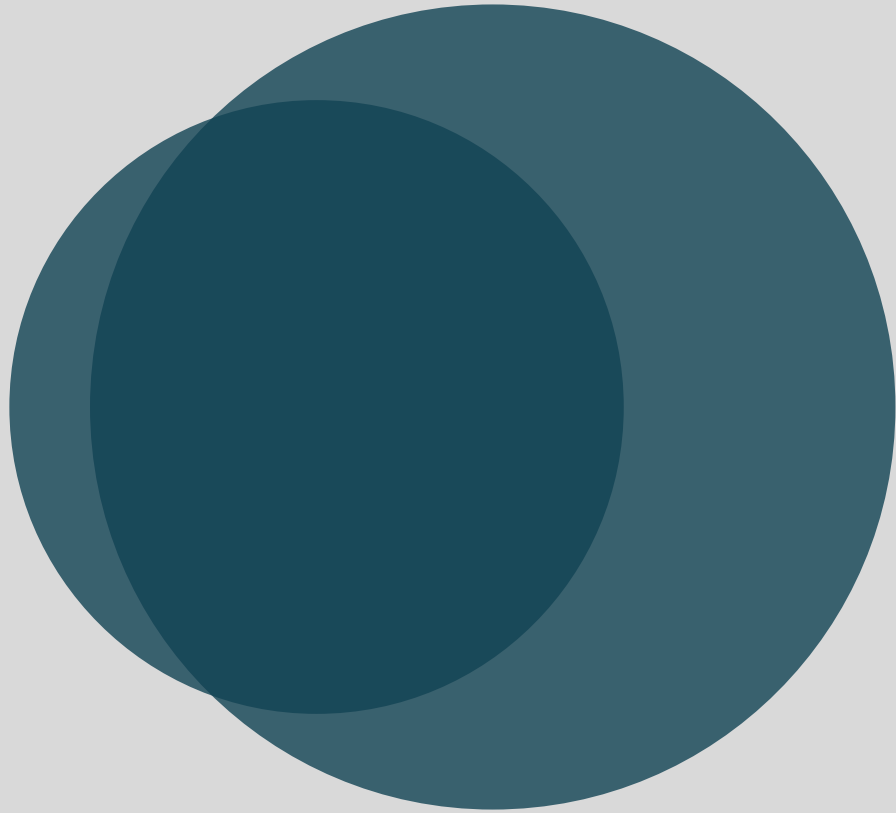
- Traditional trading is expected to have strong growth in the year due to new customers' orders.
- Agency business is stably growing. The momentum could remain still.



## 2017 Goal

- Principal trading aims to grow 10% more by working closely with strategic alliance
- Agency business aims to have double-digit growth in shipment.
- Order management aims to grow furthermore.

Shipment Volume	2017	2016	YoY % chg
Principal trading shipment – 2Q17	4,250,849	3,264,902	30.2%
Agency business shipment – 2Q17	3,814,760	3,914,384	-2.5%
- Agency shipments	1,898,370	2,198,671	-13.7%
- Order management shipments	1,916,390	1,715,713	11.7%
<b>Total Shipment – 2Q17</b>	<b>8,065,609</b>	<b>7,179,286</b>	<b>12.3%</b>
Principal trading shipment – Accumulated	8,461,477	6,790,572	24.6%
Agency business shipment – Accumulated	6,798,576	5,335,077	27.4%
- Agency shipments	3,763,707	3,619,364	4.0%
- Order management shipments	3,034,869	1,715,713	76.9%
<b>Total Shipment – Accumulated</b>	<b>15,260,053</b>	<b>12,125,649</b>	<b>25.8%</b>



# APPENDIX

# Private Label - Designing & Branding ability

HOLA Spring/Summer and Autumn/Winter style is leading the trend of Home décor each year

## 2017 Spring/Summer 「Paris after the rain」 Home Style The Beauty of watercolor ● Rain washed blending colors



# New Private Label - Cookware

Price Competitive / Higher Margin

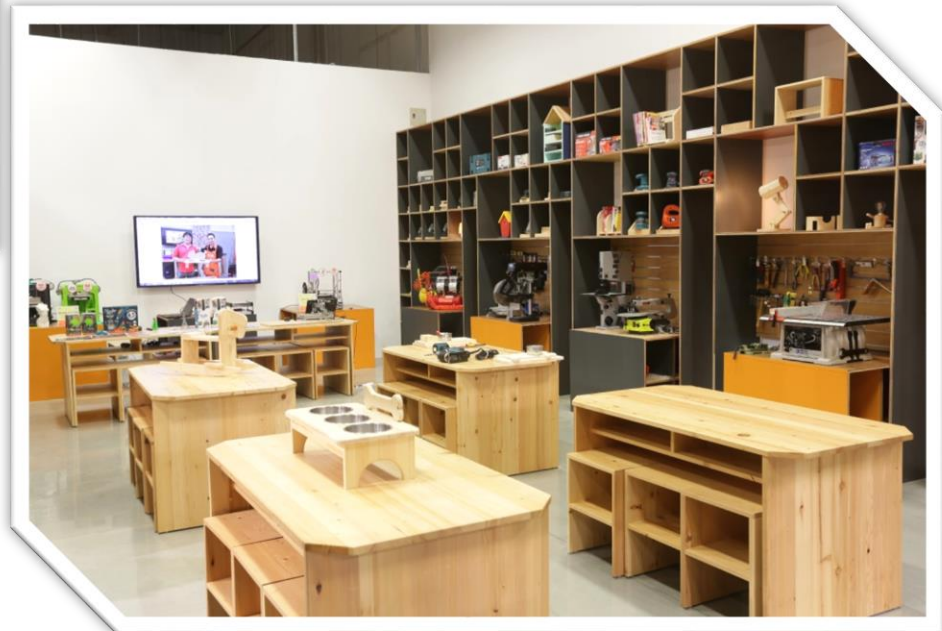
Launched on Nov-2016 / sold **15,000pcs** in **2Q2017**  
"Stainless Steel Series, Non-Stick Series, and Cast-Iron Series"



# TLW2.0 – Buy after you experience it

## New Concept Store

TLW Shihlin store includes the 400m<sup>2</sup> **“Service Center for the real scene of home”**, and The largest **“DIY Classroom”** in Taiwan with the area of 100m<sup>2</sup>.



# Product Development Achievement

## 2014-2017 International Design Award

### 2017 iF Designing Awards



Arcadia Set 1



Chandler Set 1



Richmond Bar Set 1



Richmond Set Smoked glass with etching



# Repositioning-Total Solution Provider





# 2Q2017 Consolidated Balance Sheet

(NT\$ mn)	2017	2016		2017	2016
Cash and cash equivalents	2,172	2,085	Short-term borrowings	4,430	2,325
Financial assets at fair value through profit or loss - current	431	815	Short-term notes bills payable		20
Debt investments with no active market - current	74	14	Financial liabilities at fair value through profit or loss – current	92	0
Accounts & notes receivable	3,569	2,626	Accounts and notes payable	5,432	5,368
Other receivable	284	348	Other payable	2,036	2,129
Inventories	6,117	6,132	Current tax liabilities	198	237
Prepayments	277	407	Advance receipts	563	575
Other current financial assets	20	23	Current portion of long-term borrowings	490	1,522
Other current assets	3	4	Other Current tax liabilities	63	78
<b>Total current assets</b>	<b>12,947</b>	<b>12,454</b>	<b>Total current liabilities</b>	<b>13,304</b>	<b>12,254</b>

# 2Q2017 Consolidated Balance Sheet

(NT\$ mn)	2017	2016		2017	2016
Financial assets measured at cost - non-current	94	94	Long-term borrowings	3,249	4,535
Debt investments with no active market - non-current	203	269	Total non-current provisions	24	34
Property, plant and equipment	5,862	6,331	Net defined benefit liability	492	494
Goodwill and intangible assets	2,575	2,595	<b>Other non-current Liability</b>	<b>3,765</b>	<b>5,063</b>
Deferred tax assets	1,310	1,258	<b>Total non-current liabilities</b>	<b>17,069</b>	<b>17,317</b>
Refundable Deposits	800	905			
Other non-current assets	600	727	Share capital	5,099	5,099
<b>Total non-current assets</b>	<b>11,444</b>	<b>12,179</b>	Capital surplus	648	673
			Retained earnings	1,721	1,621
			Other equity	(205)	(80)
			Treasury shares		
			Total equity attributable to owners of the Company	7,263	7,313
			Non-controlling interests	59	3
			<b>Total equity</b>	<b>7,322</b>	<b>7,316</b>
<b>Total assets</b>	<b>24,391</b>	<b>24,633</b>	<b>Total liabilities &amp; equity</b>	<b>24,391</b>	<b>24,633</b>

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THANK YOU

For Watching

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