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# Test Rite Group (2908:TT) 2020H1 IR Presentation

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*August 2020*

# Legal Disclaimer

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

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# Presenter



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## EDUCATION :

- University of Southern California

## EXPERIENCE:

- Director of Test-Rite
- Director of TLW
- COO of Test-Rite

As an important promoter of Test-Rite Group, she joined Test-Rite in 2000 to be responsible for project management, legal, human resources, trading operation management, digital commerce, etc. She led TLW retail business to establish "TR +," an online shopping platform which realized the online and offline integration, making a big step in the sustainable development of Test-Rite Group.

## SKILL :

- Enterprise Development Strategy
- Operations Management of Trading and Retail business
- Digit Commerce
- Organizational Development and Adjustment

# Agenda

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- Introduction to Test Rite Group
- Financial Highlights
- Trading Business
- Retail Business



# Introduction to Test Rite Group

# Management Ideas



Judy Lee  
Chairwoman and  
Chief Executive Officer

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For more than four decades, Test Rite Group has been committed to integrity business practices and stability innovation. The secret to our success is information transparency, comprehensive mechanism and team accountability, leading to a healthy structure and operational development strength, which supports us continuously to see opportunities from challenges and embark on the path towards sustainability. ”

# Group Structure- Focus on main Retail and Trading Business

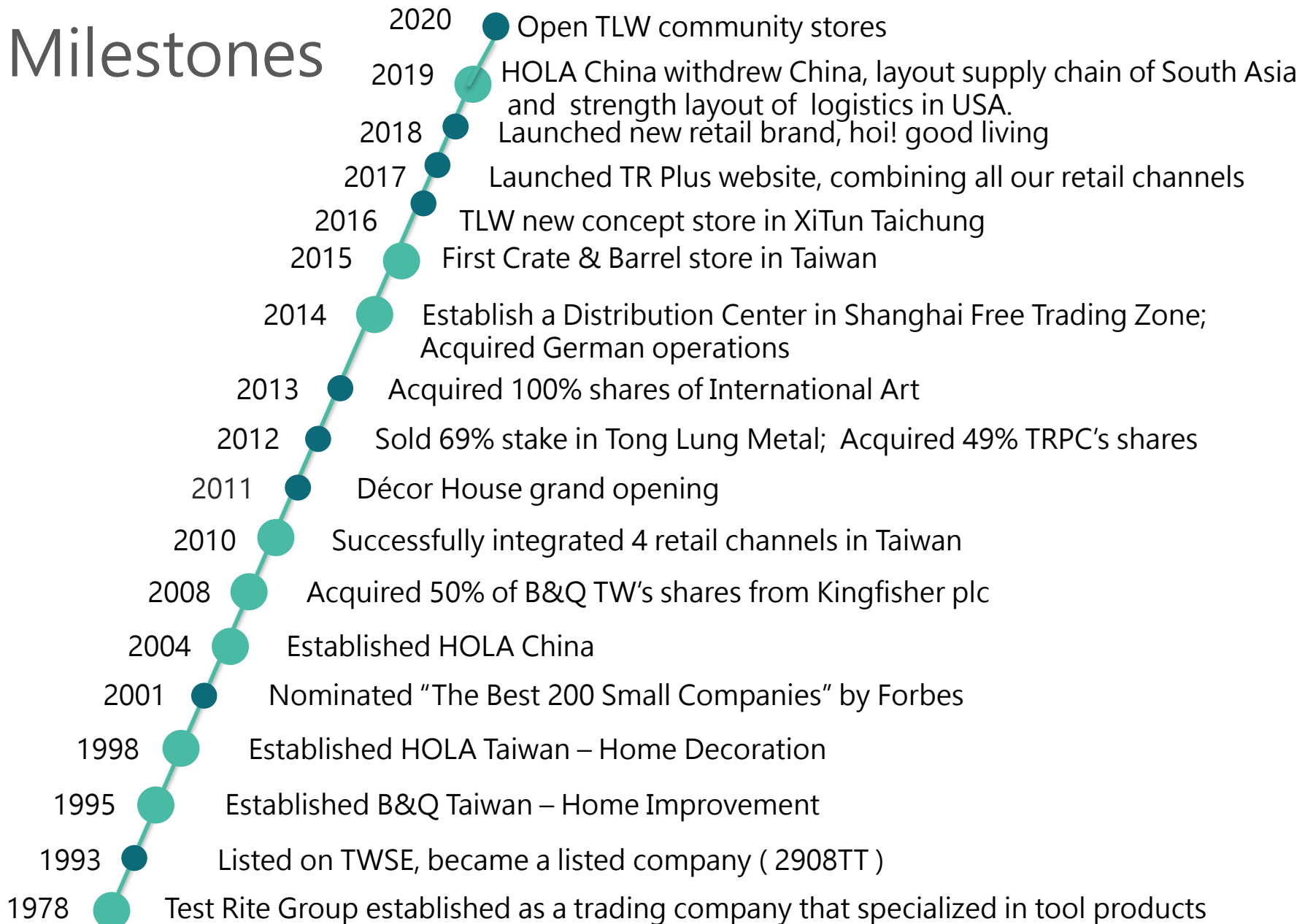
Test Rite Retail Business Group		Test Rite Trading Business Group	
Home Decoration	HOLA (26) · HOLA Petite(6) · hoi!(8)	Hardline & Auto Hand tools, Hardware, Auto accessories, Auto parts, New business development	Home Furnishing Consumer electronics, Lighting, Kitchenware, Decoration, Christmas decoration, Sport equipments.
Home Improvement	TLW(27+8) · TR HOME SERVICE (3)		
Mattresses & Bedding	HOLA CASA(28) · WEDGWOOD (14) · FRETTE(6) · Zucchi (2)	Bath & Storage Storage, Bathroom products, Suitcase, Traveling utilities	Seasonal Outdoor furniture, BBQ rack/hearth, Gardening, North-East Asia projects
Comprehensive Home Integration Services	DÉCOR House		
Brand Agency	Crate & Barrel (3)	Stationery Indoor furniture, Office supplies, Stationery, PC peripherals	Agency



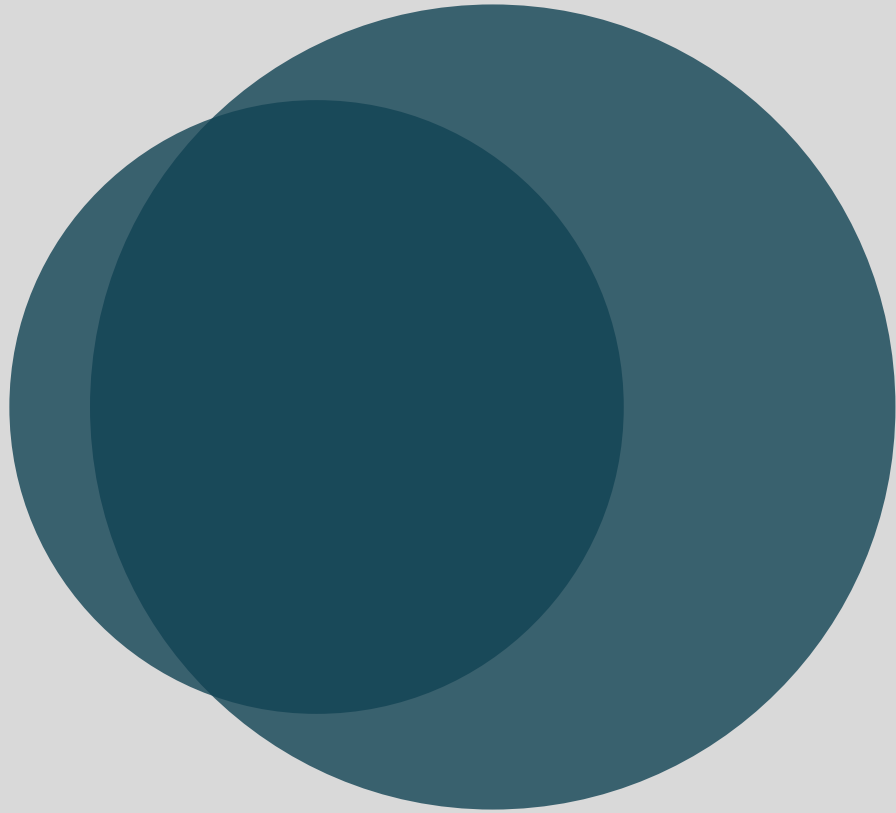
Other Investment Holdings		
Creative Design/ Product Development Theme Trend & Product Concept; Product Design; VI & Graphic Design; Packaging & Purchasing	Chung Cin Corp. Shopping mall construction; Office building construction; Booth recruitment	Logistics/ Warehousing Services China Taiwan USA Europe

Note: store numbers updated as on June 30<sup>th</sup>, 2020

# Milestones







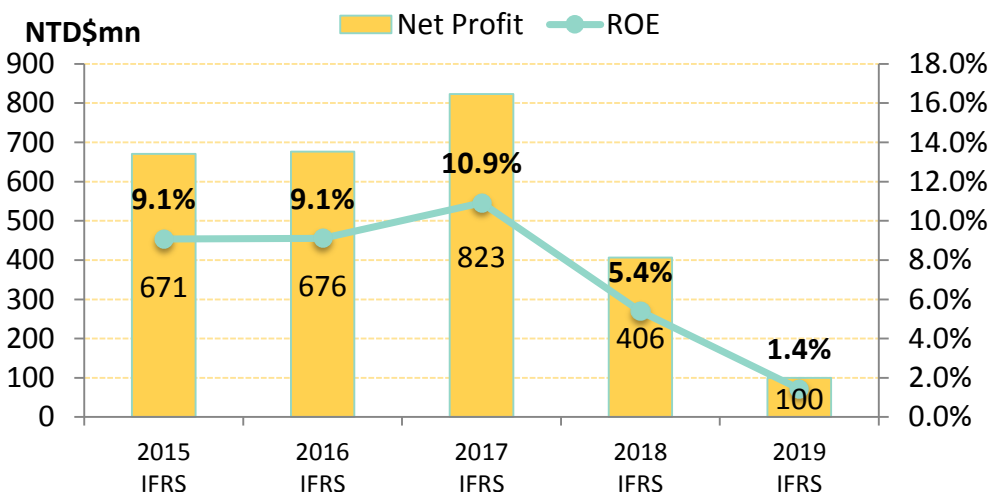
# Financial Performance

# Best Interests of Shareholders

## The stable ROE of our shareholders

- Test-Rite group's profitability is stable for the best interest of shareholders in the long term.
- Although the profitability was affected by the HOLA withdrawal from China in 2018 and 2019. We continue to improve our main business.

### TR Group ROE & Net profit



## Improving the corporate governance and strengthen the transparency of information disclosure.

Test Rite is ranked by the TWSE in the 21%-35% of public companies with best corporate governance practices in 2019. ( The total class interval is 7 and we are in three class interval )

**100%**

All employees and suppliers of Trading and retail business completed to sign the Letter of Undertaking of Integrity to carry out Ethical Corporate Management.

# Long-term Investment Value



Only 12 companies in the service industry have remained in the top 100 list for over 30 years.

In a fast-changing market, most of the survivors are state-owned companies.

Our endurance is a reflection of our stability and sustainable corporate management. It also reflects our continuous efforts to deliver long-term investment value to our investors.

Company Name	1986 Ranking	2016 Ranking	2017 Ranking	2018 Ranking	2019 Ranking
Taiwan Power Co	1	1	1	1	1
Chunghwa Telecom Co	2	7	8	10	11
China Airlines Co.	3	13	13	14	14
Evergreen Marine Co.	4	14	14	12	12
Yang Ming Marine Co.	7	16	15	16	15
Taiwan Railways Administration Co.	8	61	59	62	62
Taiwan Water Co.	13	54	53	56	55
Far Eastern Department Store Co.	14	35	38	41	44
Hotai Co.	17	10	11	11	10
CTCI Co.	33	24	25	28	30
Wan Hai Co.	37	31	29	25	22
Test-Rite	43	42	41	40	43

# Financial Highlights 2019 optimized business and steady peace

## Revenue (YoY)

2019: -4.6%

2018: 7.9%

The impact of a high base due to pre-stocking activities by major customers in 2018 in response to the U.S.-China trade war was evident.

## Gross Margin Rate

2019: 27.1%

2018: 25.7%

The gross margin increased by 1.4 percentage points from a year ago due to the product mix optimization.

## Net margin

2019: 0.2%

2018: 0.9%

The decline in the annual profit in 2019 owed partly to a substantial one-time cost related to HOLA's withdrawal from China.

(NT\$ mn)	4Q19	4Q18	YoY% chg	2019	2018	YoY% chg
Revenue	9,067	9,792	-7.4%	38,061	39,898	-4.6%
COGS	(6,617)	(7,349)	-10.0%	(27,752)	(29,637)	-6.4%
Gross profit	2,450	2,443	0.3%	10,309	10,261	0.47%
Operating Expense	(2,226)	(2,543)	-12.5%	(9,453)	(9,778)	3.3%
Operating profit	224	(100)	-324%	856	483	77.2%
Non-operating income/loss	(88)	(160)	-45%	(765)	(137)	458.4%
Pre-tax profit	136	(260)	152.4%	91	346	-73.7%
Net profit	141	(197)	171.6%	112	419	-73.3%
Other net profit	(83)	(15)	453.3%	(189)	(62)	204.8%
Total net profit	57	(212)	126.9%	(78)	357	-121.9%
Net profit attribute to TRIC shareholders	138	(203)	168%	100	406	-75.4%
(NT dollar) (After Tax)						
Basic EPS	0.27	(0.39)	189.7%	0.2	0.8	-75%
Diluted EPS	0.27	(0.39)	189.7%	0.2	0.8	-75%
Gross margin	27.0%	25.0%	2.1%	27.1%	25.7%	1.4%
Operating margin	2.5%	-1.2%	3.7%	2.3%	1.2%	1.1%
Pretax margin	1.5%	-2.7%	4.2%	0.2%	0.9%	-0.6%
Net margin	1.5%	-2.1%	3.6%	0.3%	1.0%	-0.8%

# Financial Highlights 2020H1 – financial performance is return back to the stable growth

## Revenue (YoY)

2019: 3.5%

2018: -4.6%

With the benefits of customers' strong demand in the U.S. and Europe and new customers in Europe, the shipment amounts kept rising.

## Gross Margin Rate

1H20: 26.9%

1H19: 28.1%

The gross margin decreased by 1.1 percentage points from a year ago due to the product mix.

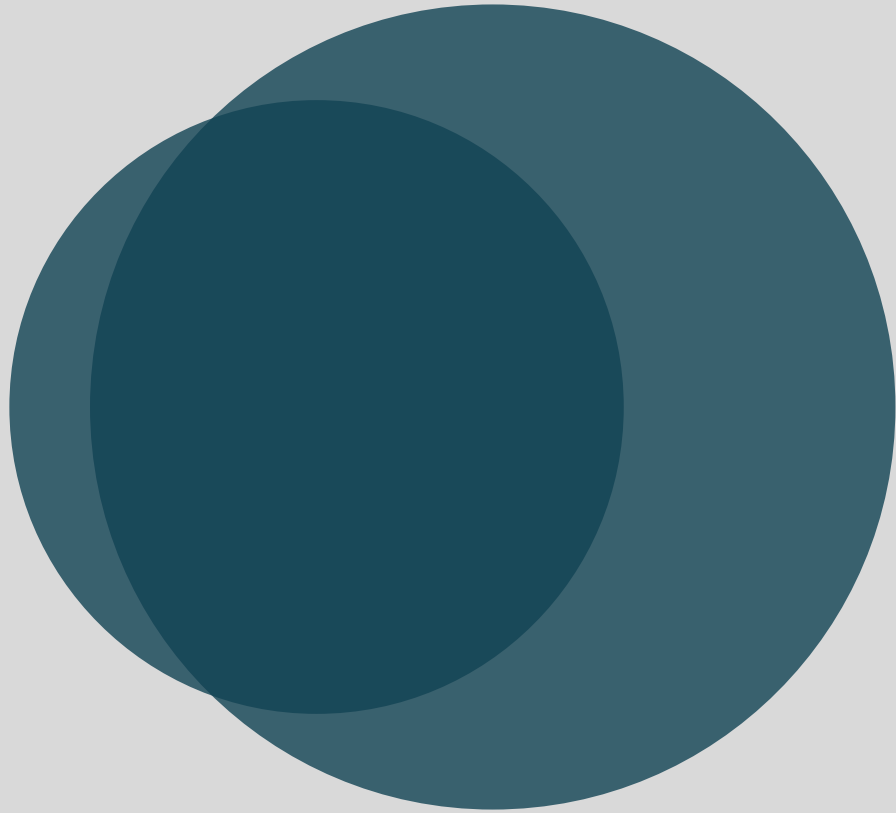
## Pre tax margin

1H20: 2.6%

1H19: -0.9%

As the revenue increased in 2020H1, which drove the net margin to grow at 3.4%.

(NT\$ mn)	2Q20	2Q19	YoY% chg	1H20	1H19	YoY% chg
Revenue	10,672	9,335	14.3%	19,888	19,214	3.5%
COGS	(7,787)	(6,755)	15.3%	(14,533)	(13,820)	5.2%
Gross profit	2,885	2,580	11.8%	5,355	5,393	-0.7%
Operating Expense	(2,500)	(2,429)	2.9%	(4,759)	(4,929)	-3.5%
Operating profit	385	152	153.4%	596	464	28.5%
Non-operating income/loss	(35)	(541)	-93.6%	(84)	(632)	-86.7%
Pre-tax profit	350	(389)	-189.9%	512	(168)	-405.1%
Net profit	257	(381)	-166.9%	384	(201)	-285.3%
Other net profit	(75)	(32)	134.4%	(88)	(13)	576.9%
Total net profit	182	(413)	143.6%	296	(214)	233.6%
Net profit attribute to TRIC shareholders	256	(382)	166.9%	378	(204)	285.3%
(NT dollar) (After Tax)						
Basic EPS	0.52	(0.75)	169.3%	0.76	(0.4)	290.0%
Diluted EPS	0.52	(0.75)	169.3%	0.76	(0.4)	290.0%
Gross margin	27.0%	27.6%	-0.6%	26.9%	28.1%	-1.2%
Operating margin	3.6%	1.6%	2.0%	3.0%	2.4%	0.6%
Pretax margin	3.3%	-4.2%	7.4%	2.6%	-0.9%	3.4%
Net margin	2.4%	-4.1%	6.5%	1.9%	-1.1%	3.0%



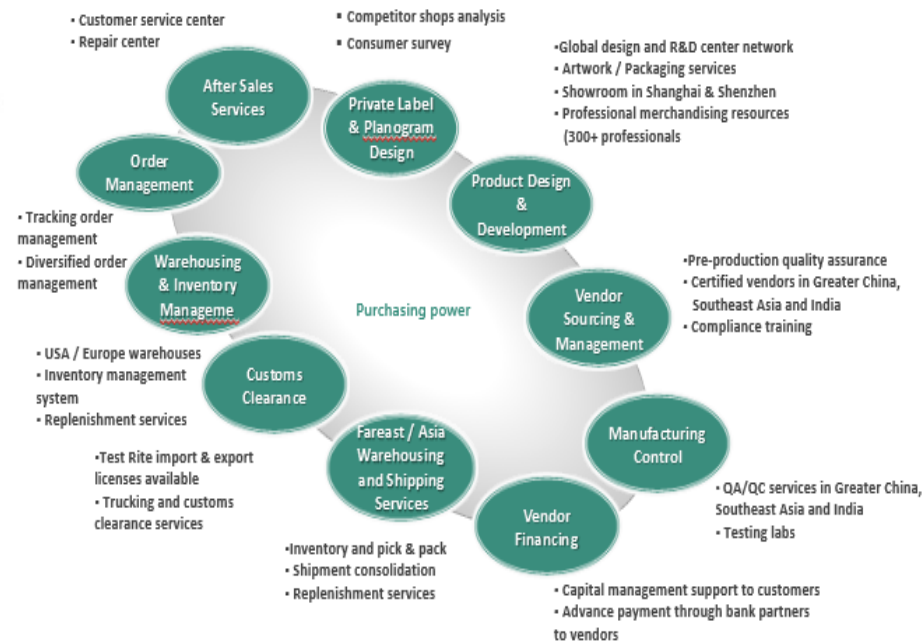
# Trading Business

# Global Layout and strengthen the supply chain

## Supply chain layout crosses Europe, America and Asia.



- 11 offices in 8 countries/regions, logistic centers in China, Taiwan, Germany, and the U.S.
- We have devoted more 40 years in America and 30 years in Europe.
- Supply chain head southward to strength our global sourcing.

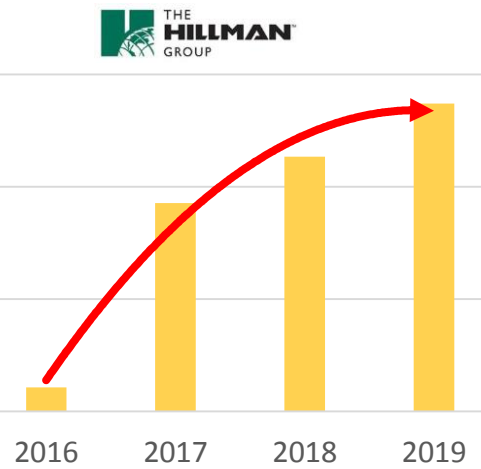
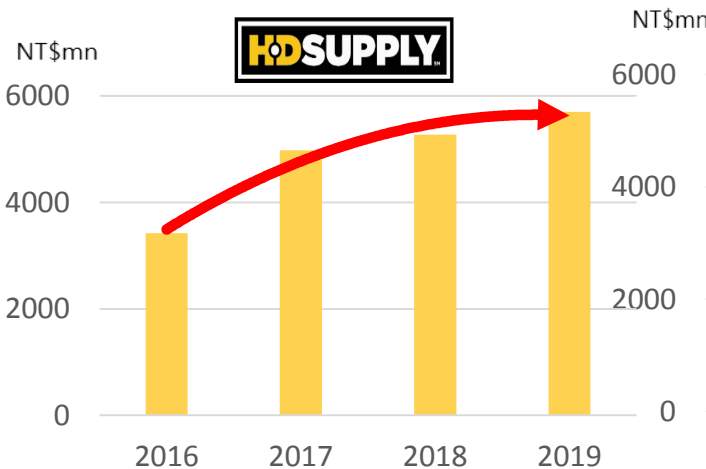


# 服務全球大型零售通路客戶

Establish the long-term and stable service relationship to provide all-around service to conclude the strategic partnerships with our customers.

## Trading business

- The shipment amount of major trading customers have continued to grow steadily in recent years. Even under severe challenges such as the US-China trade war and the COVID 19 epidemic, shipment amounts has continued to rise steadily.
- We became the Walmart sales consultant in 2017.
- We were selected as Supplier of the Year by O'Reilly in 2017
- We have the Strategic alliance since 2016.



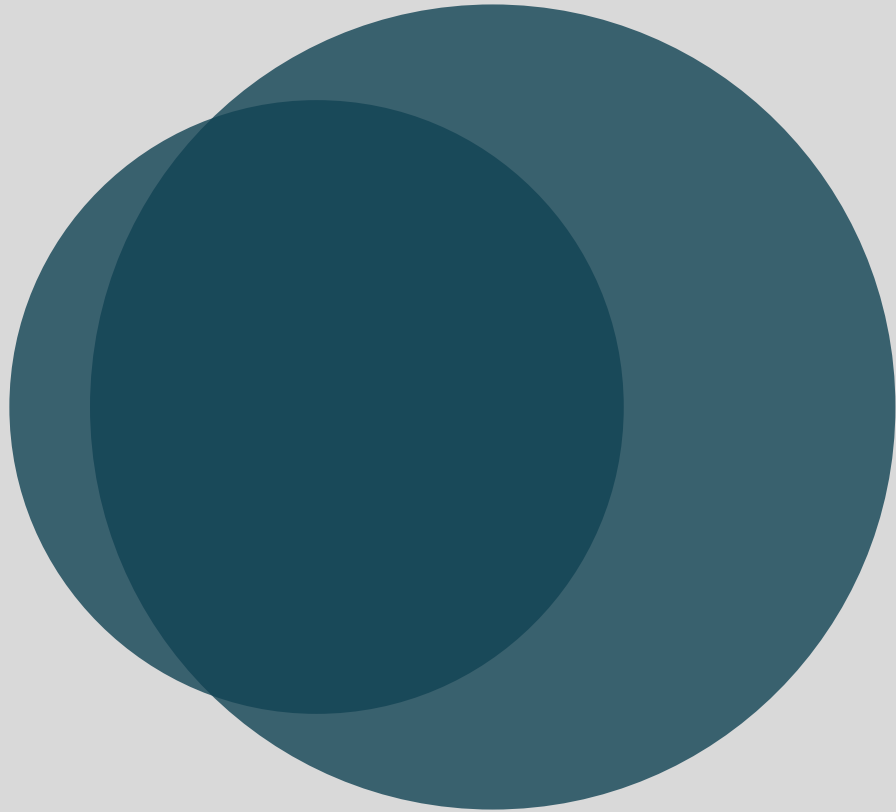
Shipment amounts



# Continuing to design and develop new products

- Combing the core business of Trading and Retail business to keep investing the new product design.
- Providing the customer with innovative value and differentiated products.
- Test-Rite started to participate since 2014 and win International Design Awards.
- It has won 22 international design awards, including 14 packaging design awards and 8 product design awards.





# Retail Business

# Retail's layout based home

It's always TR's business to take care of your lifelong needs for home

Store #	2015A	2016A	2017A	2018A	2019A	2020H1
TLW	26	27	27	27	27	27
HOLA TW	24	25	25	26	26	26
TLW-community store						8
hoi!					9	10
TR HOME SERVICE	3	3	4	3	3	3



## Development Strategy

- ▶ Develop the community store to approach customers' life
- ▶ Enhance customer's experience and promote healthy home life
- ▶ Introduce new retail technology and develop omnichannel
- ▶ Use the our advantages to develop the exclusive product



# Service strategy-TLW approaches customers' life



Developing community stores actively with 8 stores and expanding sales performance.



Note: store numbers updated as on June 30<sup>th</sup>, 2020

# Physical stores- Enhance customer's experience and promote healthy home life

## TLW : Fun and creative DIY

- **Cross-border promotion of DIY :** TLW has the first time cross-border cooperation with Sanrio launch a unique hand-made course and DIY material package which create a huge volume on social media.



- **Optimized in-store display :** Light, smart lighting



## 特力和樂 : Design life, experience firstly

### Topic display:

- Present the festival in an interactive experience in the store on every family-related festival.



### Surprise Private Kitchen

- A surprise private kitchen service will be launched in 2020 to expand the connection of each "home festival"

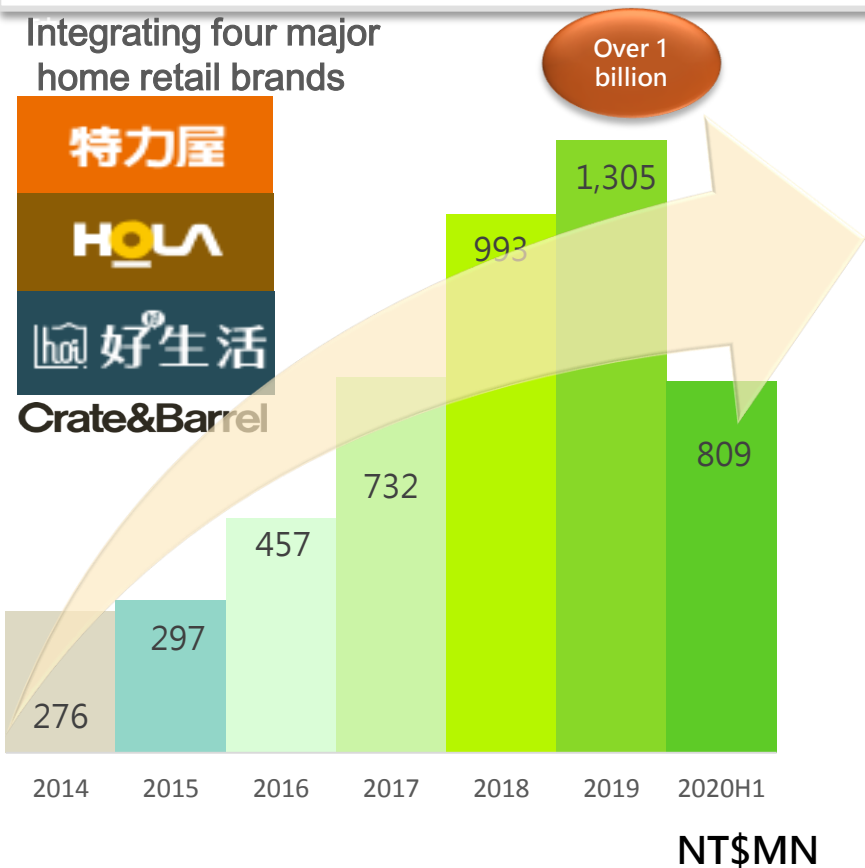


- **Smart pillow selection** An AI smart pillow selection service will be accumulated data database for 10 years, allowing consumers to choose the most suitable pillow in 5 minutes.

# Introduce new retail technology and integrate all channels

- Developing omni-channel integration of "online marketing, offline experience". After the integration of products and channels, e-services will be launched in the second half of 2020 to integrate cross-channel advantage services.
- After building the new retail model, Our online sales registered revenue in excess of NT\$1 billion in 2019, up by 31.4% YoY.

Integrating four major home retail brands



## New retail experience-hoi!

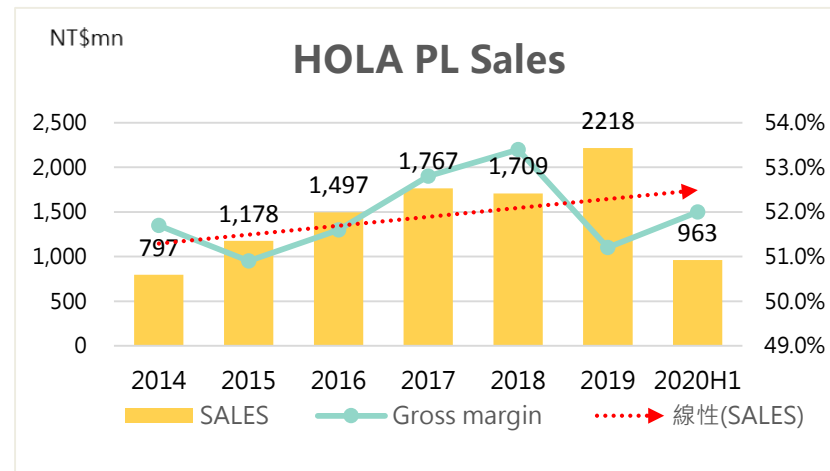
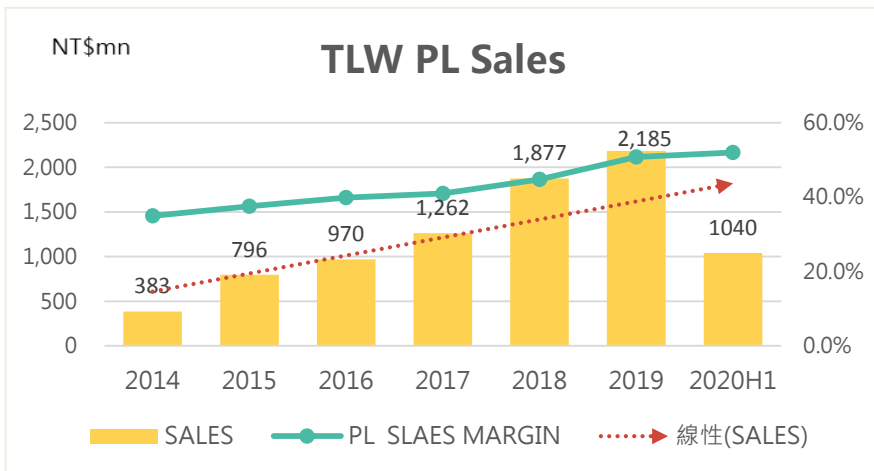
- Development of the channel is toward the dual lines of furniture + daily groceries, and the store type is divided into medium and large furniture-type stores + small-sized department store stores.
- The online store is the largest store, covering all products, and serves as an extended shelf for recommended products in the physical store.
- Strengthening the introduction of exclusive products and introducing Danish brand daily cleaning brands and Belgian furniture brands, and block the product line to flexibly link with the same business circle.



# Use the advantages of the group to develop exclusive products

Create channel differentiation and increase product portfolio gross profit

- **Continuing to develop TLW's Private label** : The main products are lighting, bathroom, storage furniture, and will continue to develop its own brand of water purification.
- **Continuing to develop HOLA's Private label**: The main products are bedding, home furnishings, and tea glass, and the uniqueness of the products is improved through joint cooperation.
- **Introduce exclusive products and integrate internal and external resources**: Providing one-stop service of sales, installation and maintenance; expand the category and channel layout of kitchen and bedroom.



# Brand Agency

Accurate product  
strengthened product capabilities  
Enriched customer's demand

- Total 21 brands in Agency Business in 2020H1
- Increasing brand awareness in the market.
- Expanding sales channels.

	Appliance	Kitchen	Lighting	Others
Product Brand	  	    	  	    
Channel Brand (Franchising)		 		
Channel Brand (Licensing)		 <small>FRANCE 1847</small>		 



# Comprehensive home service

HOLA and DÉCOR HOUSE was awarded the top prize at the

“2019 Global Views Five-Star Service Award”.



## 居家生活 業態平均成績 **65.54**

調查標準 國內店數前7大，共7家

名次	企業名稱	得分	去年名次
1	HOLA特力和樂	84.15	1
2	特力屋	81.05	3
3	無印良品	65.83	5
4	台隆手創館	62.08	4
5	生活工場	60.00	2

## 百貨/購物中心 業態平均成績 **60.43**

調查標準 6000坪以上的百貨公司及購物中心，共27家

名次	企業名稱	得分	去年名次
1	特力家居	72.5	5
2	環球購物中心	70.42	未入榜
3	大江購物中心	70	未入榜
4	誠品生活	69.38	未入榜
5	比漾廣場	69.21	未入榜

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THANK YOU

For Watching

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