
Test Rite Group (2908:TT) 4Q17 IR Presentation

2018 May

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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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2017 Snapshot

2017 GROUP OVERVIEW

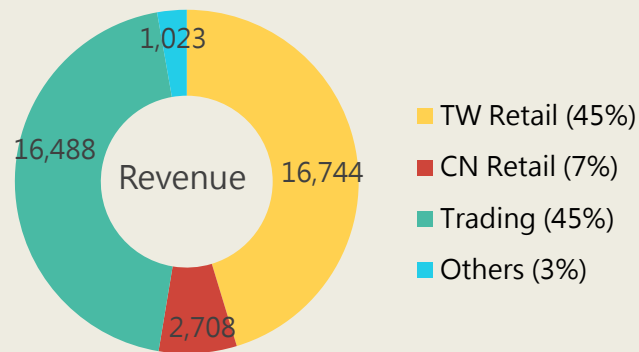
NT\$36,963 M
Revenue

NT\$10,783 M
Gross Profit

NT\$961 M
Operating Profit

NT\$823 M
Net Profit

NT\$1.61
EPS



TLW (TW)
27 stores

HOLA (CN)
26 stores

HOLA (TW)
25 stores

Brand Agency
18 brands

TLW Private Label
13.5%

HOLA (TW) Private Label
33%

Total Retail Revenue
NT\$16,744 M

Total Trading Shipment
NT\$ 28,156 M

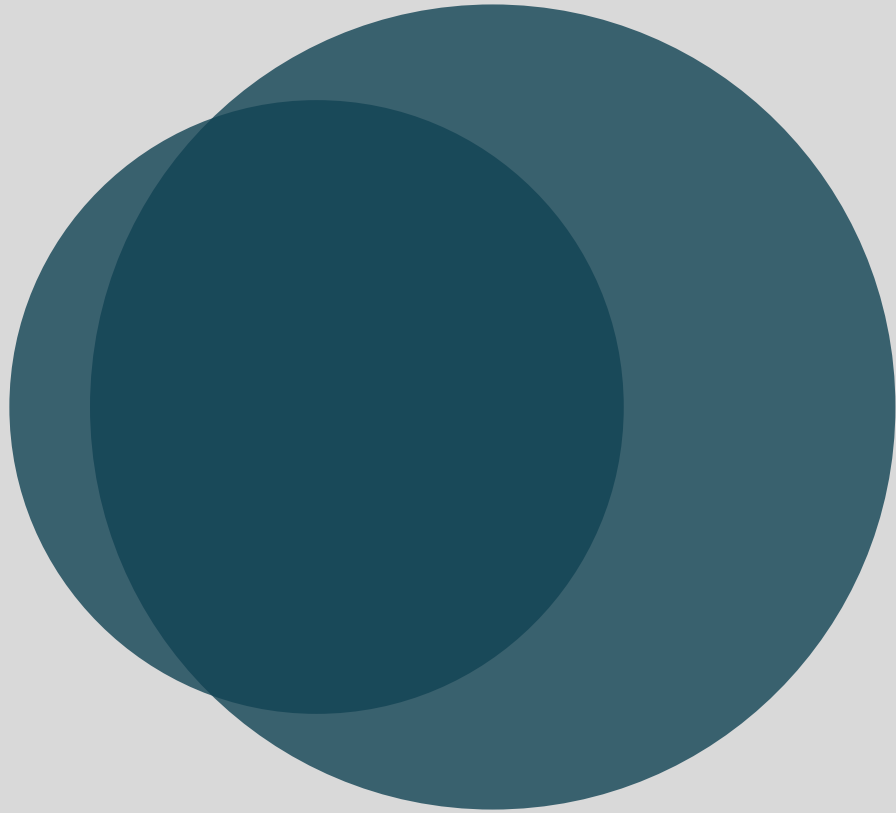
N. America Shipment
87.4%

Europe Shipment
6%

Global Presence
11 countries / 14 offices

Warehouse
4 countries

Global Employees
5,806 staff



Financial Highlights 4Q17

Financial Highlights 4Q17

Revenue (YoY)

4Q17: 3.7 %

4Q16: 0.2 %

Gross Margin Rate

4Q17: 29.5%

4Q16: 31.7%

Gross margin rate decreased because revenue's growth were mainly driven from trading business, which has lower gross margin rate

Operating Profit

4Q17: 2.0%

4Q16: 1.2%

Benefited from the reduction of operating expenses in HOLA China, our consolidated operating profit increased compare to last year

(NT\$ mn)	4Q17	4Q16	YoY% chg	FY2017	FY2016	YoY%chg
Revenue	8,697	8,386	3.7%	36,963	35,443	4.3%
COGS	(6,127)	(5,730)	6.9%	(26,180)	(24,184)	8.3%
Gross profit	2,570	2,656	-3.2%	10,783	11,259	-4.2%
Operating Expense	(2,392)	(2,553)	-6.3%	(9,822)	(10,434)	-5.9%
Operating profit	178	103	71.8%	961	825	16.5%
Non-operating income/loss	245	(1)	NA	150	67	122.6%
Pre-tax profit	423	102	316.9%	1,111	892	24.6%
Net profit	222	100	121.2%	823	676	21.7%
Other net profit	(49)	(88)	-44.3%	(54)	(205)	-73.5%
Total net profit	173	12	1329.5%	769	471	63.1%
Net profit attribute to TRIC shareholders	222	100	121.2%	823	676	21.7%
(NT dollar) (After Tax)						
Basic EPS	0.43	0.2	115%	1.61	1.33	21.1%
Diluted EPS	0.43	0.19	126.3%	1.61	1.32	22.0%
Gross margin	29.5%	31.7%	-2.1%	29.2%	31.8%	-2.6%
Operating margin	2.0%	1.2%	0.8%	2.6%	2.3%	0.3%
Pretax margin	4.9%	1.2%	3.7%	3.0%	2.5%	0.5%
Net margin	2.6%	1.2%	1.4%	2.2%	1.9%	0.3%

4Q17 Performance Breakdown by BU

Revenue

- The growth of trading was mostly generated from new customers' orders
- Taiwan retail, affected by domestic economy, decreased by 4.7% compare to last year
- HOLA China sales decreases due to the closure and space adjustment of poor-performance

Net Profit by BU

- Trading's net profit was significantly impacted by U.S. Tax Reform Act, which increased our income tax expense recognized in 4Q17
- Profit of HOLA China improved after closing the poor-performance stores., though the net loss increased slightly in forth quarter, it still had a huge improvement of 21% decrease for the year
- Others' profit increased was contributed from the gain of disposal of property in Shenzhen

Sales by BU (NT\$ mn)	4Q17	4Q16	YoY% chg	FY2017	FY2016	YoY% chg
Taiwan Retail ▲	4,192	4,400	-4.7%	16,744	17,592	-4.8%
HOLA China ^	671	990	-32.2%	2,708	3,584	-24.4%
Trading ©	3,542	2,709	30.8%	16,488	13,105	25.8%
Others #	292	287	1.5%	1,023	1,162	-12.0%
Consolidated Sales	8,697	8,386	3.7%	36,963	35,443	4.3%
Net Profit by BU (NT\$ mn)	4Q17	4Q16	YoY% chg	FY2017	FY2016	YoY% chg
Taiwan Retail ▲	137	183	-25.1%	523	597	-12.4%
HOLA China ^	(62)	(33)	87.3%	(279)	(353)	-21.0%
Trading ©	5	26	-82.0%	501	609	-18.0%
Others #	142	(76)	-288.9%	78	(177)	-143.7%
Consolidated Net Profit	222	100	121.2%	823	676	21.7%

© 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.

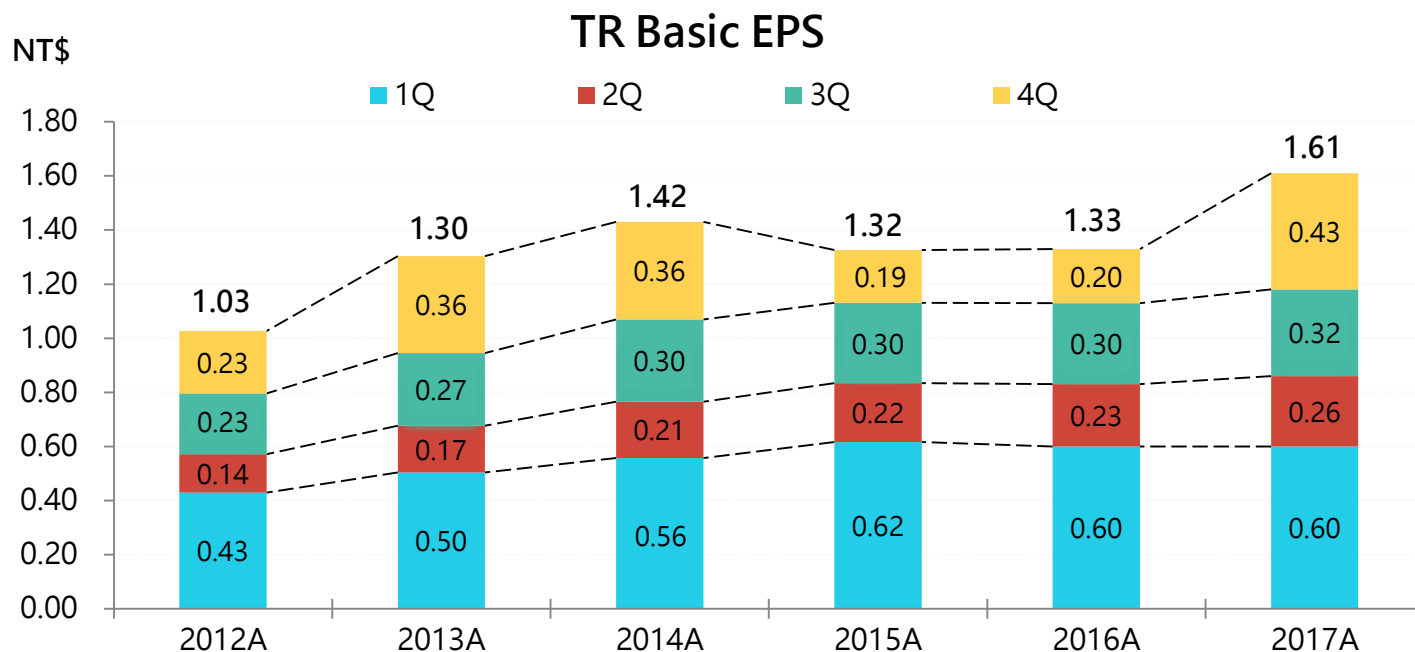
^ HOLA China only included HOLA China.

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	1.2
Payout rate	77.1%*	76.9%	79.6%	72.0%	81.2%	74.5%
Tax Deductable	20.48%	20.48%	20.48%	20.48%	20.48%	-

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



Long-term Investment Value



Only 13 companies in the service industry can remain 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 the fast-changing, most of the survivors are state-owned companies.

It proves our stability and the sustainable strategy of corporate management. It also shows our continuous efforts to deliver long-term investment value for investors.

Best Interests of Shareholders

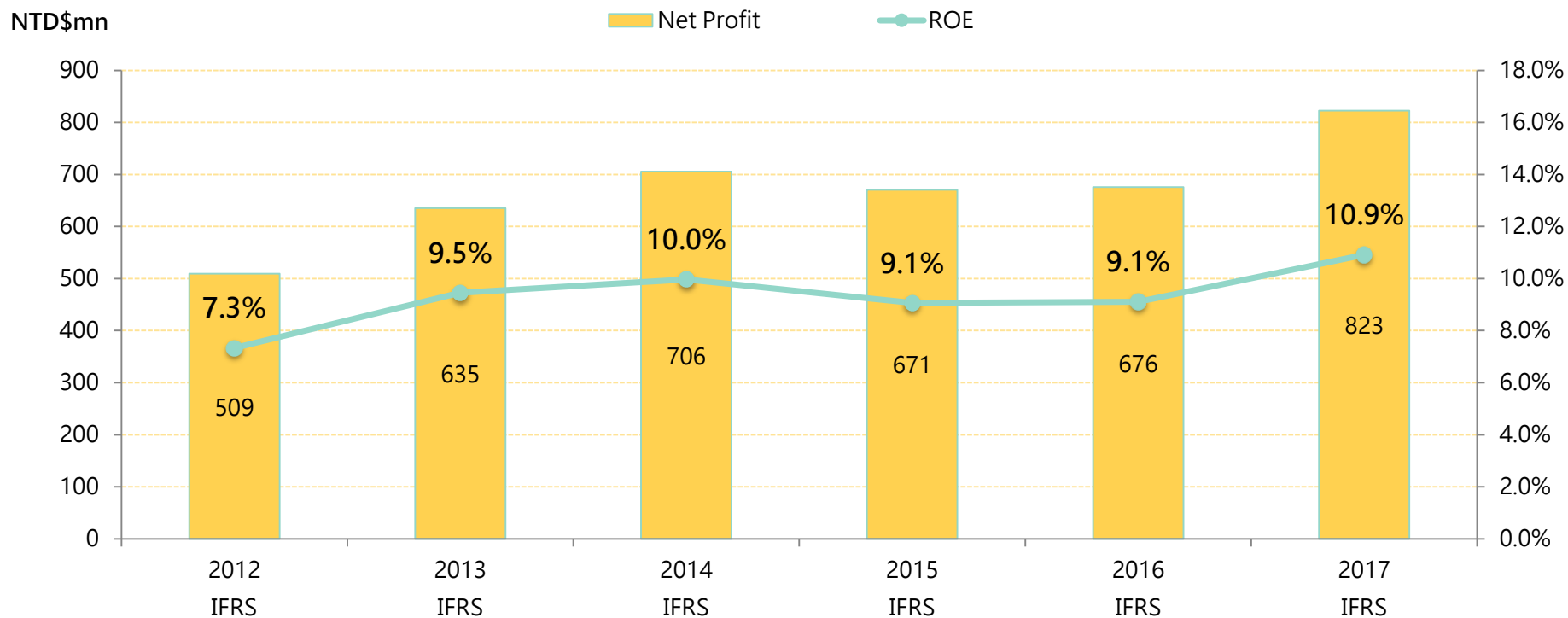
Test Rite pursues best interests of shareholders

ROE is stably at 9-11% in the past 5 years

Highly Transparent

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

TR Group ROE & Net profit



2018 Outlook

Trading Business

- 1) Reinforce our existing relationships with major clients such as Walmart, Hillman and Costco, among others, to increase shipment volumes.
- 2) Develop existing and new categories of products, including those that incorporate artificial intelligence and automation capabilities, and strengthen our product expertise and differentiation.
- 3) Broaden and deepen our strategic cooperation with suppliers to strengthen our supply chain.
- 4) Enlarge the scope of our global sourcing capabilities.
- 5) Product development, procurement, and supply-chain management to offer best-in-class value-added products and services to our clients.
- 6) Build on our initiatives in transforming to a product development company.
- 7) Maintain both principal and agency trading relationships with customers and aggressively pursue potential business opportunities.
- 8) The business consolidation of trading and retail, and identify growth opportunities for the group.

Retail Business

- 1) Taiwan: No new TLW or HOLA stores will be opened in 2018. Our focus is improving customer interactions and broadening the successful implementation of an enhanced customer experience pioneered at our TLW Shilin store to our other stores.
- 2) China: We will continue to restructure and reorganize bad-performing stores while improving operational efficiency and profitability at all stores.
- 3) The launch of our TR Plus website at the end of 2017 will play a pivotal part in our Taiwan online business in 2018. In China, we will ramp up our e-commerce product offerings.
- 4) Through the integration of our POS systems, we plan to move a step closer to fully eliminating the boundary between online and offline commerce in terms of products, payments, memberships and marketing.
- 5) We will maintain the growth momentum of our TLW Home Improvement Service Unit in providing value-added services to our customers and to enhance cooperation with construction projects.
- 6) A fundamental part of our brand agency's value proposition is to further raise and foster customer awareness and perceptions of our portfolio of existing brands.
- 7) Strengthen the sales of TLW and HOLA private label products to improve margins.



Introduction of Test Rite Group

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 of 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.

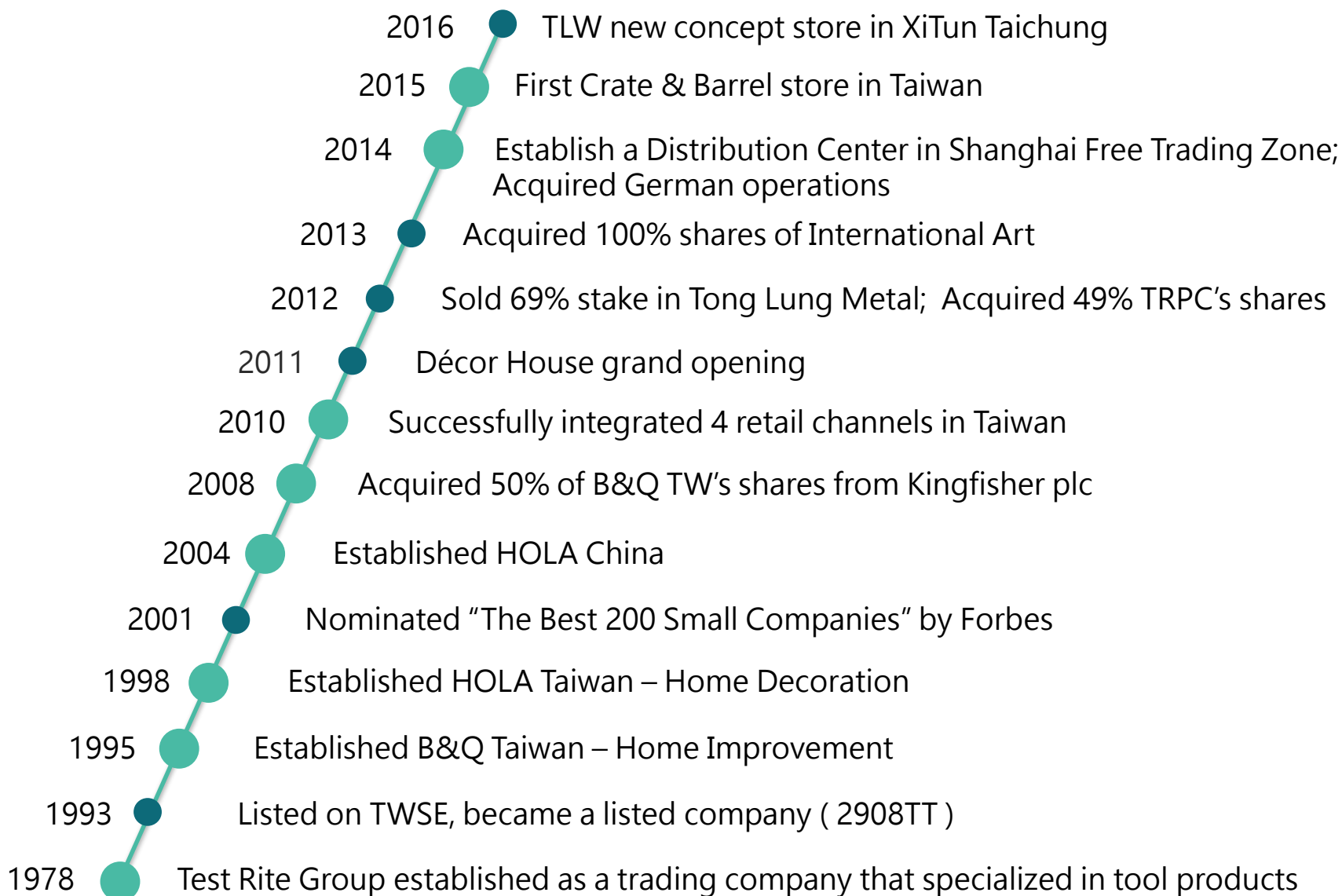


Sophia Tong

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

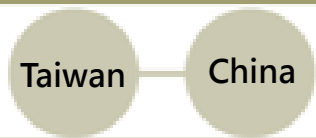


Group Structure

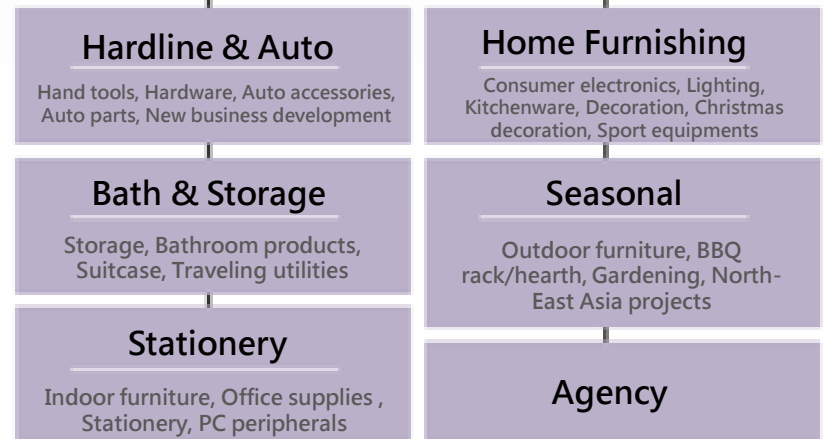
Test Rite Retail Business Group (2017 Revenue: ~NTD\$ 1.95 billion)

Home Decoration	HOLA Taiwan (25) China (26)
Home Improvement	TLW 特力屋 (27), TR HOME SERVICE (4), HISU(2)
Mattresses & Bedding	HOLA CASA (24), HOLA Petite(7), WEDGWOOD(14), FRETTE(5), Zucchi (3), ELLE(1)
Comprehensive Home Integration Services	DÉCOR House
Brand Agency	Crate & Barrel (2)

Market Deployment



Test Rite Trading Business Group (2017 Revenue: ~NT\$1.65 billion)



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

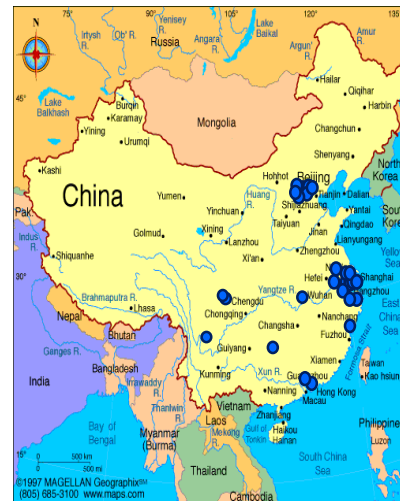
Logistics/ Warehousing Services

China USA Taiwan Europe

Note: store numbers updated as of December 31th, 2017

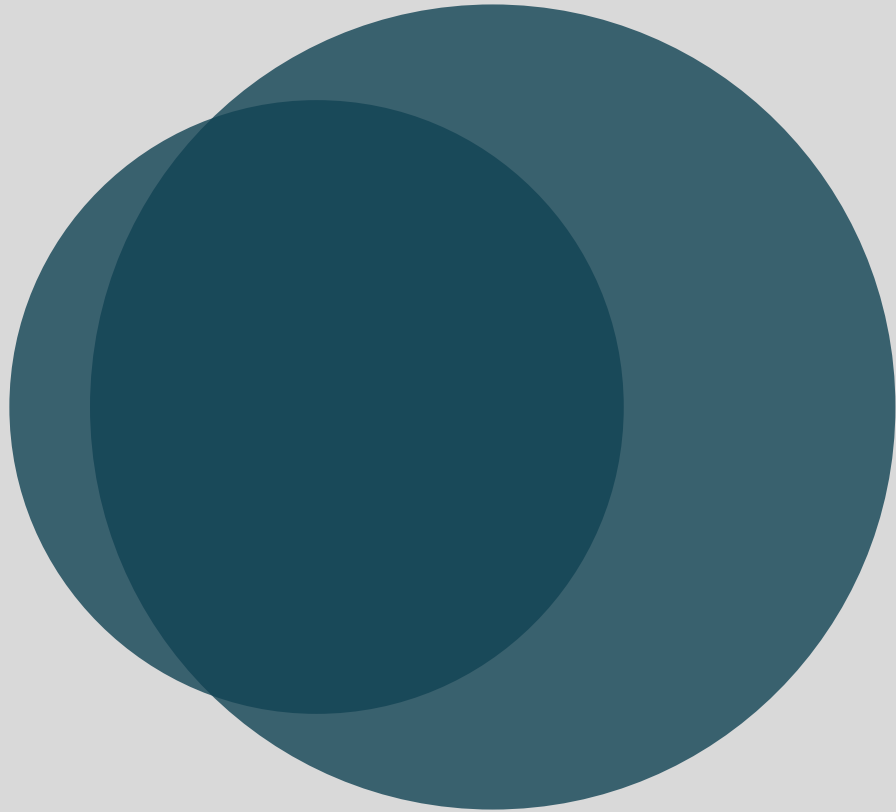
Building the Best "Home-related" Channel

Store #	2012A	2013A	2014A	2015A	2016A	2017A
TLW	24	26	26	26	27	27
HOLA TW	21	22	23	25	25	25
HOLA CN	31	33	35	38	33	26
Avg. selling space(m ²)	2012A	2013A	2014A	2015A	2016A	2017A
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	2,110
HOLA CN	2,054	1,904	1,853	1,867	1,881	1,927



Store Locations





Retail Business

Home Improvement

In December 2017, TLW was awarded the top in "2017 Global Views Five-Star Service Award".



Margin Improvement by Private Label

4Q2017

Sales Mix of PL Products

TLW	14.2%
HOLA	35.7%



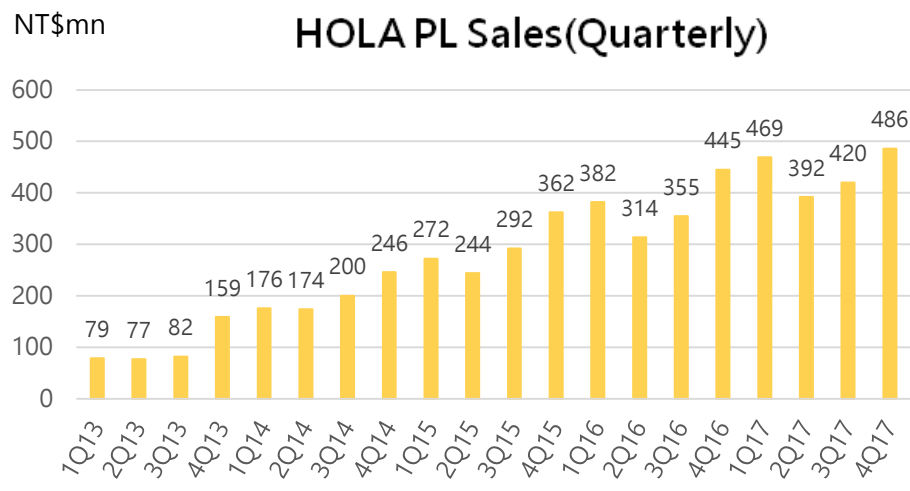
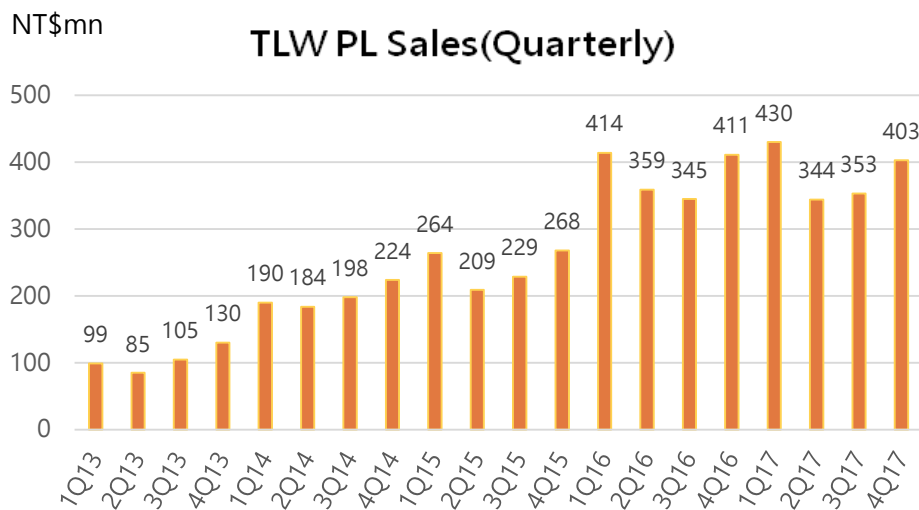
Mid-term Goal

TLW	15%
HOLA	40%

Long-term Goal

TLW	30%
HOLA	50%

- Cost saving by joint-merchandising
- Leading home décor trend by strengthening brand design ability



New PL Product Line – Cookware

Price Competitiveness / Better Margin Rate

Launched on Nov-2016 / sold **78K pcs** in 2017 / generated **150** million sales



HOLA投注心力開發高品質鍋具：堅持採用精選材質，以嚴格工藝及創新科技打造滿足各式烹調需求的系列產品。我們在乎每個細節的設計與品管，全系列鍋具皆通過國家食品器具容器衛生標準，為您的食用安全嚴格把關。
HOLA讓烹飪成為安心、實用、時尚的享受。

New PL Product Line – Cookware

Our classic casting iron pot, designed by HOLA, had won [2018 Red Dot Design Award](#) in Germany. Its unique design of multi-purpose cooking, beautiful shape and inner pan, successfully drew customers' attention and market awareness.



Omni-Channel Development

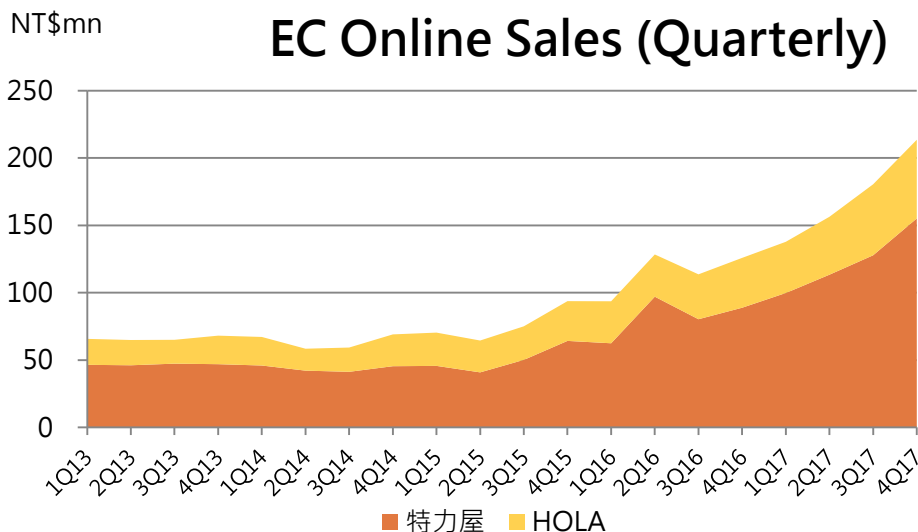
4Q2017

- TLW EC Sales mix 5.5%
- HOLA EC Sales mix 4.3%



2018 Goal

- Breaking the boundary between online & offline through the integration of POS system
- Improving customers' experiences in physical stores, and providing one solution with home improvement/renovation services
- Applying the "New Retail" concept



Note: Online sales does not include the sales that generated from gift vouchers that sent from our website but used in physical stores.

TLW online products >40,000

HOLA online products >30,000

Average ticket of online sales is about 1.5-2X times of physical stores'

Omni-Channel Strategy

In December 2017, our brand new **TR PLUS website** was launched. It combines our resources from TLW, HOLA and other retail channels.

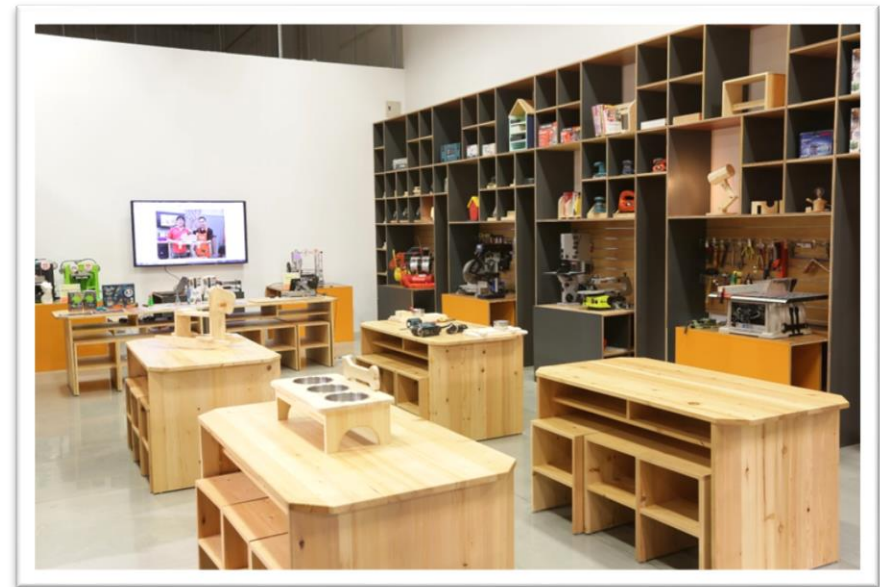
The screenshot displays the TR PLUS website interface. At the top, there is a navigation bar with a home icon, the text '回首頁 只有今天! 全站88折', and links for 'VR展示', '據點查詢', and '線上型錄'. The main header features the '特力+' logo, a search bar containing '全站88折、家電淨水92折', and a user account icon labeled '我的帳戶' with a shopping cart icon showing '0'. Below the header is a category menu including '特力屋 HOLA', '全站88', '國際名品', '傢俱', '層架收納', '寢具傢飾', '居家日用', '餐廚用品', '美食飲品', '家電淨水', '廚具衛浴', '燈具', '工具建材', and '運動休閒'. A 'Crate 特力幸福家' logo is also present. The main content area features a large banner for '2018/3/23-4/25 春夏新品上市' with a background image of a bed with floral bedding. A red callout box on the right of the banner says '年中慶暖身 全站88折 線上獨賣 家電淨水92折'. Below the banner are three promotional boxes: a red one for '年中慶暖身 只有今天! 全站88折', a light green one for '年中慶暖身 線上獨賣、家電淨水92折', and a light grey one for '年中慶暖身 節能補助最高現賺1萬2'. A '打造生活舒適圈 >' button is located on the right side of the banner area.

TLW2.0 – Play First Buy Next

TLW DIY Room

The 「Home Experiencing Space and Service Center」 was built up in Shilin store, accompanying with the largest DIY room in Taiwan.

It is currently applied in our 4 stores.
(Shilin, Nankan, Xitun, and Zuoying)



Home Improvement Services



Our TLW Home Improvement Service Unit launched a website at the end of 2017 in conjunction with IRTI (Industrial Technology Research Institute) specially for elderly customers.

This single portal, the first of its kind in Taiwan, enables customers to conveniently book appointments, obtain evaluations and quotations, and make payments for integrated services such as cleaning and maintenance.

Growth Driver – Brand Agency

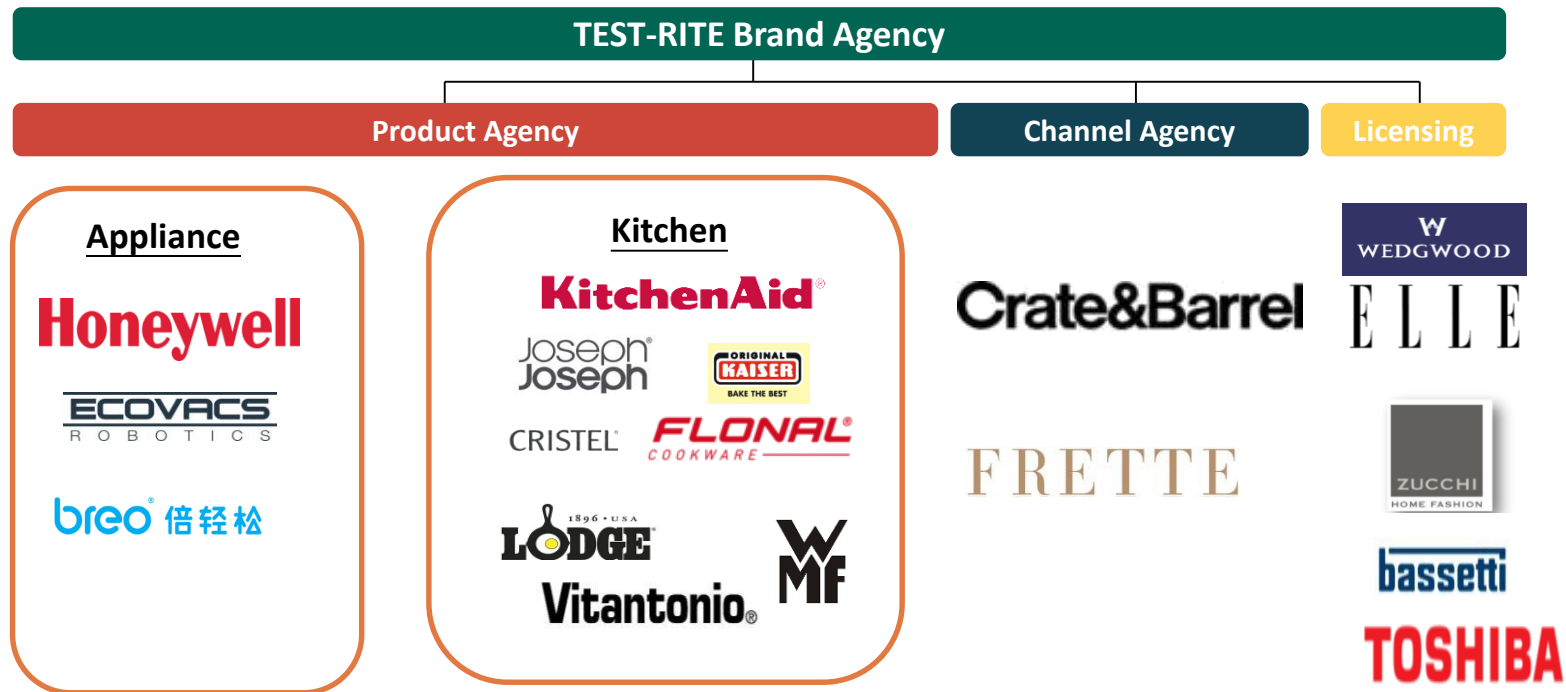
4Q2017

Total 18 brands in Agency Business



2018 Goal

- Increasing the brand awareness in the market
- Expanding selling channels



HOLA China Strategy

4Q2017

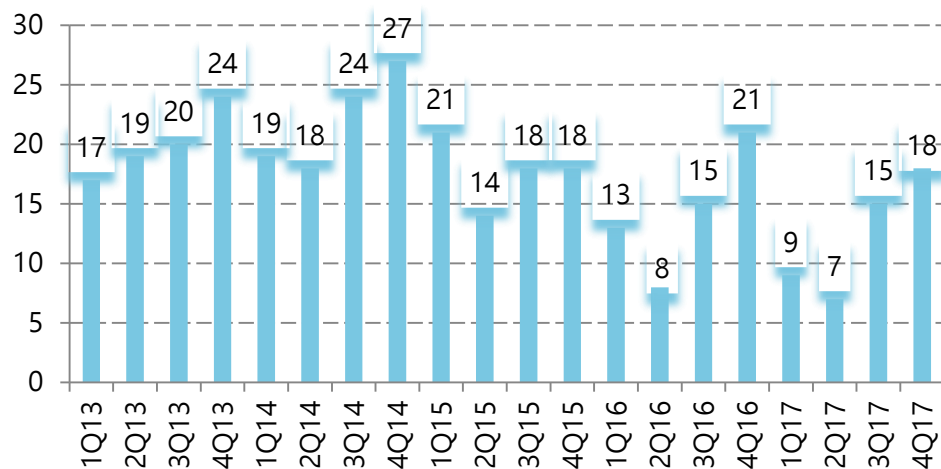
- Private Label Products Sales mix: 13.4%
- Self-Supported Products Sales mix: 58%
- EC Sales mix: 0.55%



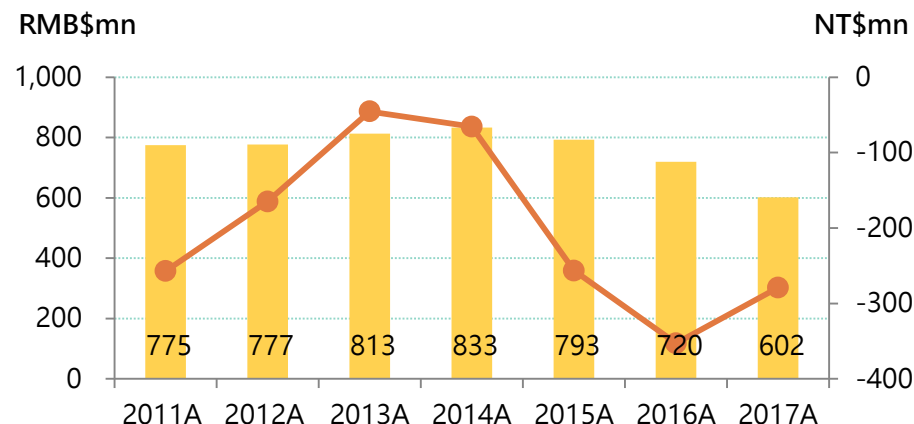
2018 Goal

- Increasing Self-Supported and PL products sales and joint merchandising
- Improving store-level profit and decreasing headquarter costs to reach breakeven point
- Making structural adjustment by actively close or adjust space utilization of poor-performance stores
- Seeking for strategic alliance partner

HOLA CN Breakeven store numbers



HOLA CN Net Sales & Profit



HOLA China New Concept Experience Store

Improving interaction experience and focusing on PL Production Sales

On December 8th, 2017, our new concept store, Shanghai Zhangtai store, was reopened. It changes the display and sales model of traditional retailing, tries to make an open, thoroughly, beautiful environment, and comfortable shopping experience.

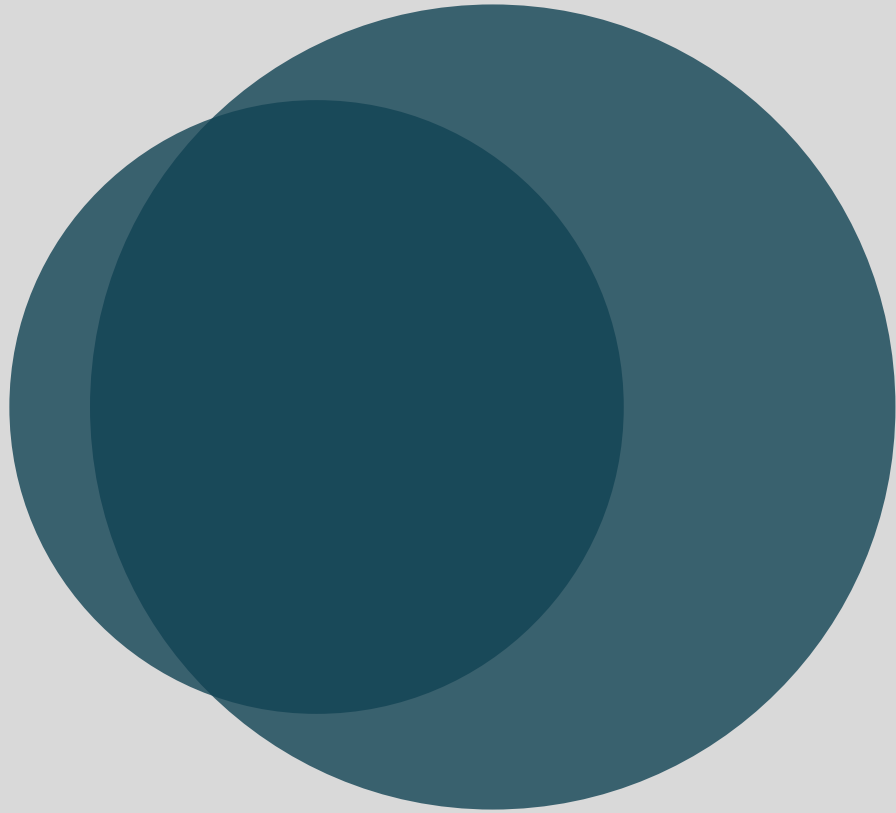


HOLA CHINA – Suning.com Joint Store

On February 2nd, we opened Nanjing Xinjiekou store, which is the first store joint with Suning.com, one of the largest retailers in China

- Selling space is around 300m²
- Consulting sales, which means to consolidation of people, products and environment
- Focus on selling key categories and PL products
- **Will open 10~15 joint stores in 1st half of year 2018**





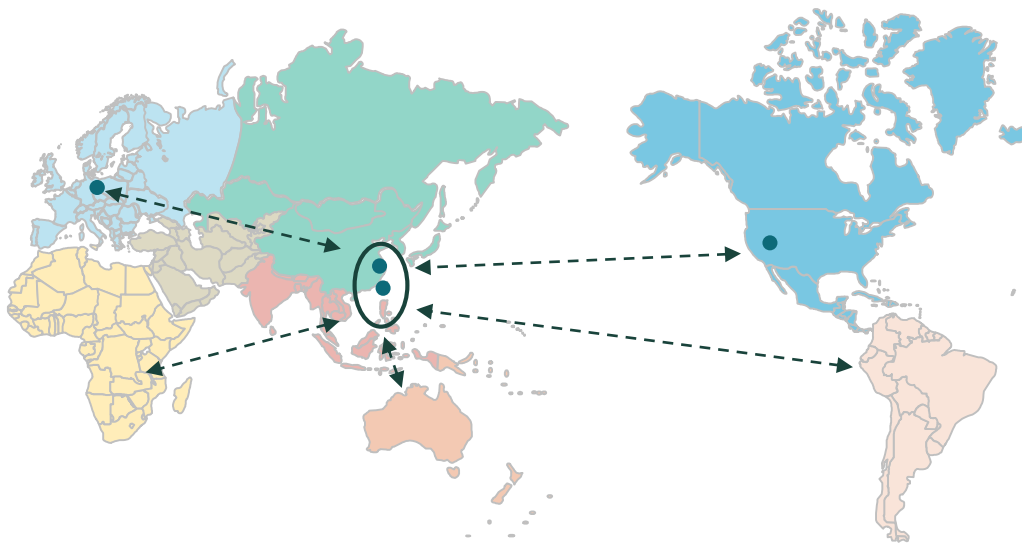
Trading Business

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

Partnership with Global Retail Giants

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



Growth of Agency Trading



N. America drives the growth

4Q2017

- N. America remained the fastest growing market
- Hardline products were outperforming; Seasonal/outdoor category were sluggish because of the unfavorable weather

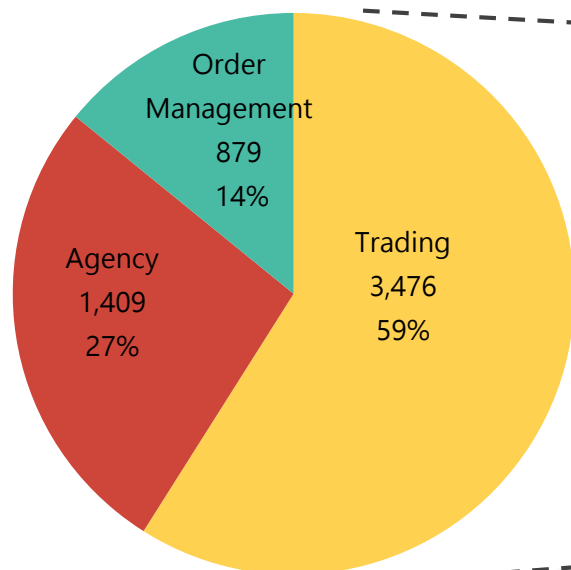


2018 Goal

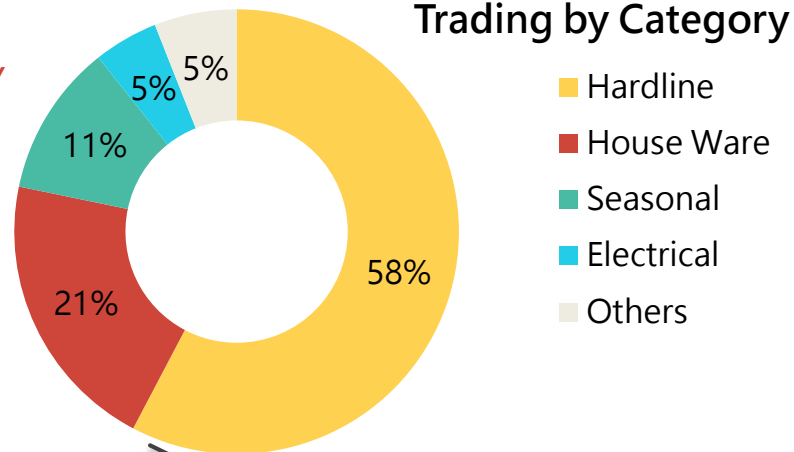
- keeping Hardline and House Ware growing
- Closely working with the strategic alliances to further boost trading shipments
- Transforming to product company and strengthening product design ability
- Acquiring new customers in Agency Business

Total Shipment in 4Q 2017

NT\$5,764M



Total Shipment
36.6% growth YoY



Shipment growing rapidly

4Q2017

- Traditional trading had a strong growth in the quarter due to new customers' orders
- Agency Business grow significantly on existing customers, YoY 11% for the year, reached 12 billion in shipment volumn.



2018 Goal

- Principal Trading: growing continuously
- Agency Business: having double-digit growth in shipment
- Order Management: growing furthermore

Shipment Volume	2017	2016	YoY % chg
Principal trading shipment – 4Q17	3,476,413	2,651,931	31.1%
Agency business shipment – 4Q17	2,287,492	1,566,630	46.0%
- Agency shipments	1,408,509	1,081,078	30.3%
- Order management shipments	878,983	485,552	81.0%
Total Shipment – 4Q17	5,763,905	4,218,561	36.6%
Principal trading shipment – Accumulated	16,144,022	12,760,304	26.5%
Agency business shipment – Accumulated	12,011,838	10,825,650	11.0%
- Agency shipments	7,067,332	7,454,805	-5.2%
- Order management shipments	4,944,506	3,370,845	46.7%
Total Shipment – Accumulated	28,155,860	23,585,954	19.4%

Product Development Achievement

2014-2017

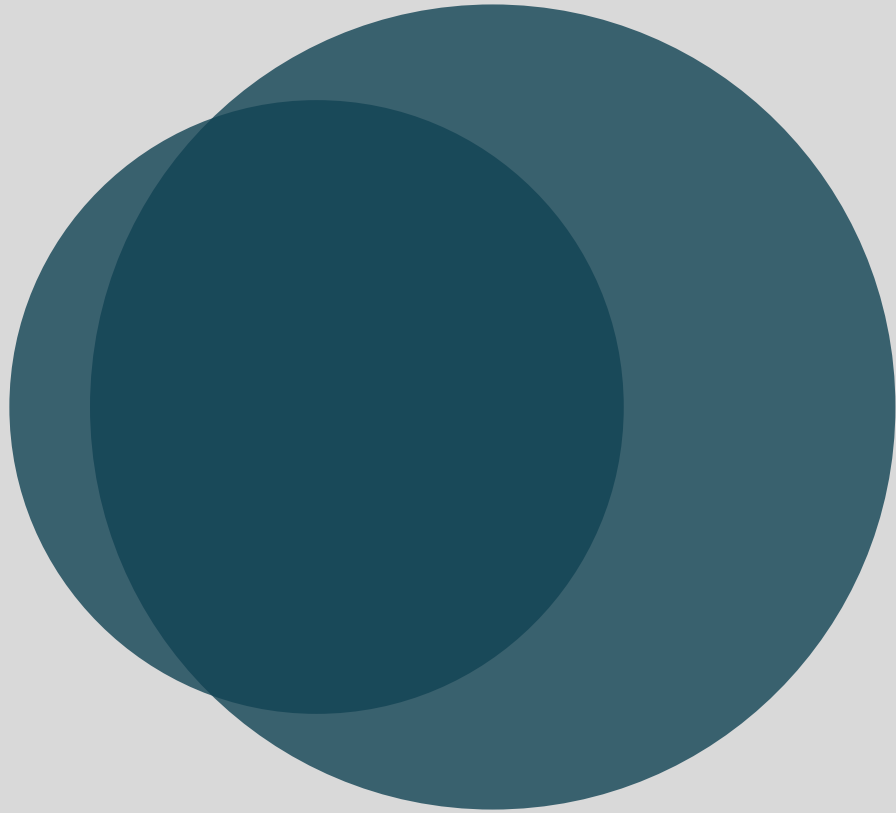
International Design Award

2017 iF Designing Awards



Repositioning-Total Solution Provider





Appendix

2017 Consolidated Balance Sheet

(NT\$ mn)	2017	2016		2017	2016
Cash and cash equivalents	1,461	2,303	Short-term borrowings	1,212	1,800
Financial assets at fair value through profit or loss - current	630	452	Short-term notes bills payable	80	0
Debt investments with no active market - current	2	172	Financial liabilities at fair value through profit or loss – current	41	51
Accounts & notes receivable	3,023	2,465	Accounts and notes payable	5,526	5,805
Other receivable	378	244	Other payable	1,428	1,657
Inventories	6,044	6,643	Current tax liabilities	126	185
Prepayments	290	341	Advance receipts	562	555
Other current financial assets	22	17	Current portion of long-term borrowings	1,225	600
Other current assets	1	4	Other Current tax liabilities	31	156
Total current assets	11,851	12,641	Total current liabilities	10,231	10,809

2017 Consolidated Balance Sheet – con.

(NT\$ mn)	2017	2016		2017	2016
Financial assets measured at cost - non-current	76	94	Long-term borrowings	4,492	5,572
Debt investments with no active market - non-current	235	109	Total non-current provisions	23	28
Property, plant and equipment	5,618	6,172	Net defined benefit liability	454	492
Goodwill and intangible assets	2,571	2,572	Other non-current Liability	4,969	6,092
Deferred tax assets	1,166	1,279	Total non-current liabilities	15,200	16,901
Refundable Deposits	803	812			
Other non-current assets	552	638	Share capital	5,099	5,099
Total non-current assets	11,021	11,676	Capital surplus	648	673
			Retained earnings	2,063	1,807
			Other equity	(180)	(166)
			Treasury shares		
			Total equity attributable to owners of the Company	7,630	7,413
			Non-controlling interests	42	3
			Total equity	7,672	7,416
Total assets	22,872	24,317	Total liabilities & equity	22,872	26,436

THANK YOU

For Watching
