
Test Rite Group (2908:TT) 2Q18 IR Presentation

August 2018



Investor Relations

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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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Agenda

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2018Q2 Snapshot

2018Q2 GROUP OVERVIEW

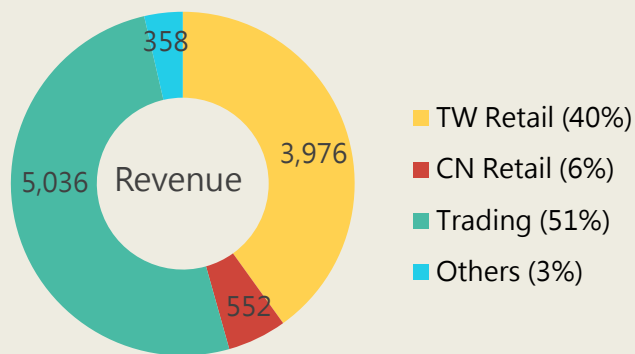
NT\$9,921 M
Revenue

NT\$2,512 M
Gross Profit

NT\$121M
Operating Profit

NT\$134M
Net Profit

NT\$0.26
EPS



TLW (TW)
27 stores

HOLA (CN)
26 stores

HOLA (TW)
26 stores

Brand Agency
15 brands

TLW Private Label
13.5%

HOLA (TW) Private Label
30.3%

Total Retail Revenue
NT\$4,528 M

Total Trading Shipment
NT\$ 8,591 M

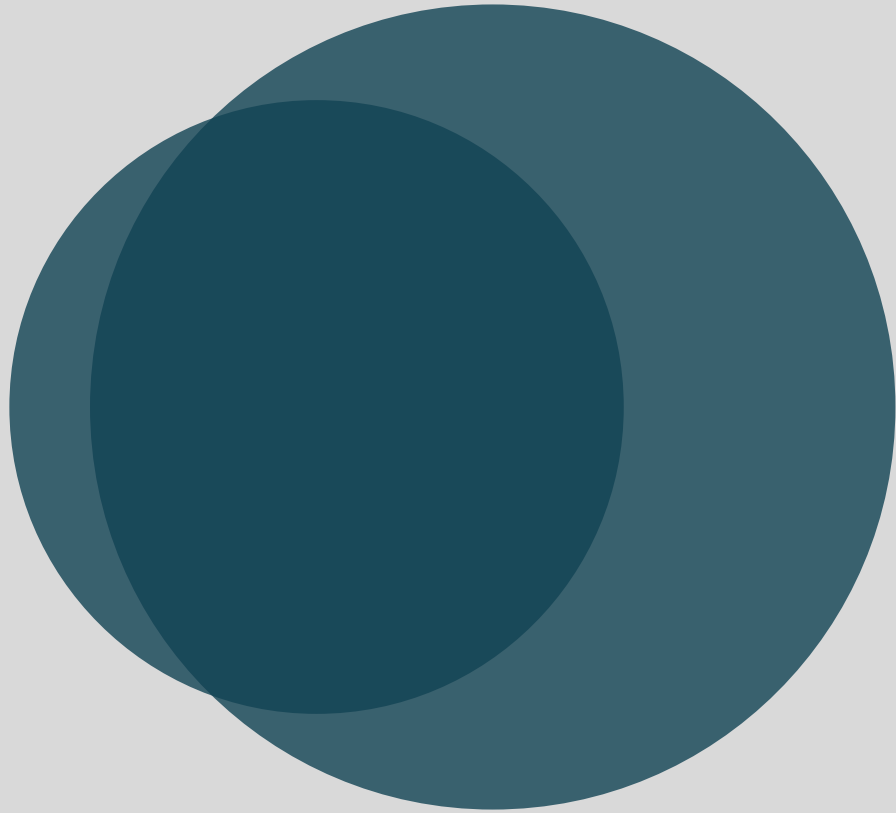
N. America Shipment
84.5%

Europe Shipment
10%

Global Presence
11 countries / 14 offices

Warehouse
4 countries

Global Employees
5,425 staff



Financial Highlights 2Q18

Financial Highlights 2Q18

Revenue (YoY)

2Q18: 6.9 %

2Q17: 5.9 %

Gross Margin Rate

2Q18: 25.3%

2Q17: 28.7%

Gross margin rate decline due to higher raw material prices and adjustment the procurement strategy of our retail business.

Operating Profit

2Q18: 1.2%

2Q17: 2.2%

Reduced operating profit compared with the same period of last year on account of a lower margin rate.

(NT\$ mn)	2Q18	2Q17	YoY% chg	FY2017	FY2016	YoY% chg
Revenue	9,921	9,278	6.9%	20,269	18,995	6.7%
COGS	(7,409)	(6,611)	12.1%	(14,984)	(13,391)	11.9%
Gross profit	2,512	2,667	-5.8%	5,284	5,604	-5.7%
Operating Expense	(2,391)	(2,473)	-2.9%	(4,866)	(5,002)	-2.7%
Operating profit	121	194	-40.9%	419	602	-30.4%
Non-operating income/loss	42	(46)	NA	1	(71)	NA
Pre-tax profit	162	148	9.4%	420	531	-20.9%
Net profit	138	132	4.2%	450	440	2.4%
Other net profit	6	66	-90.9%	24	(39)	-161.5%
Total net profit	144	198	-27.5%	474	401	18.4%
Net profit attribute to TRIC shareholders	134	132	1.2%	443	440	0.8%
(NT dollar) (After Tax)						
Basic EPS	0.26	0.26	0.0%	0.87	0.86	1.6%
Diluted EPS	0.26	0.26	0.0%	0.87	0.86	1.6%
Gross margin	25.3%	28.7%	-3.4%	26.1%	29.5%	-3.4%
Operating margin	1.2%	2.2%	-1.0%	2.1%	3.2%	-1.1%
Pretax margin	1.6%	1.6%	0.0%	2.1%	2.8%	-0.7%
Net margin	1.4%	1.4%	-0.1%	2.2%	2.3%	-0.1%

2Q18 Performance Breakdown by BU

Revenue

- The growth of trading was mostly generated from new customers' orders
- Decline of 1.6% in Taiwan retail affected by domestic macroeconomic conditions.
- HOLA China sales reflects closure and restructuring of poorly performing stores.

Net Profit by BU

- Trading net profit impacted by higher cost of materials and a lower margin rate from new clients.
- Adjustments to procurement strategy weighed on the margin rate of our Taiwan retail business compared with 2Q17.
- HOLA China was impacted by a one-time charge related to our partnership with Suning Co. and expense of store closures. Excluding the one-time charge, the net loss would have narrowed compared to 2Q17.

Sales by BU (NT\$ mn)	2Q18	2Q17	YoY% chg	FY2017	FY2016	YoY% chg
Taiwan Retail ▲	3,976	4,060	-2.1%	8,375	8,507	-1.6%
HOLA China ^	552	627	-12.0%	1,151	1,380	-16.6%
Trading ©	5,036	4,347	15.8%	10,036	8,649	16.0%
Others #	358	243	47.3%	707	459	54.0%
Consolidated Sales	9,921	9,277	6.9%	20,269	18,995	6.7%
Net Profit by BU (NT\$ mn)	2Q18	2Q17	YoY% chg	FY2017	FY2016	YoY% chg
Taiwan Retail ▲	16	87	-81.0%	224	336	-33.3%
HOLA China ^	(110)	(84)	32.1%	(168)	(153)	10.2%
Trading ©	228	145	57.7%	433	346	25.2%
Others #	(0)	(15)	-98.2%	(46)	(89)	-48.5%
Consolidated Net Profit	134	132	1.2%	443	440	0.8%

© 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.

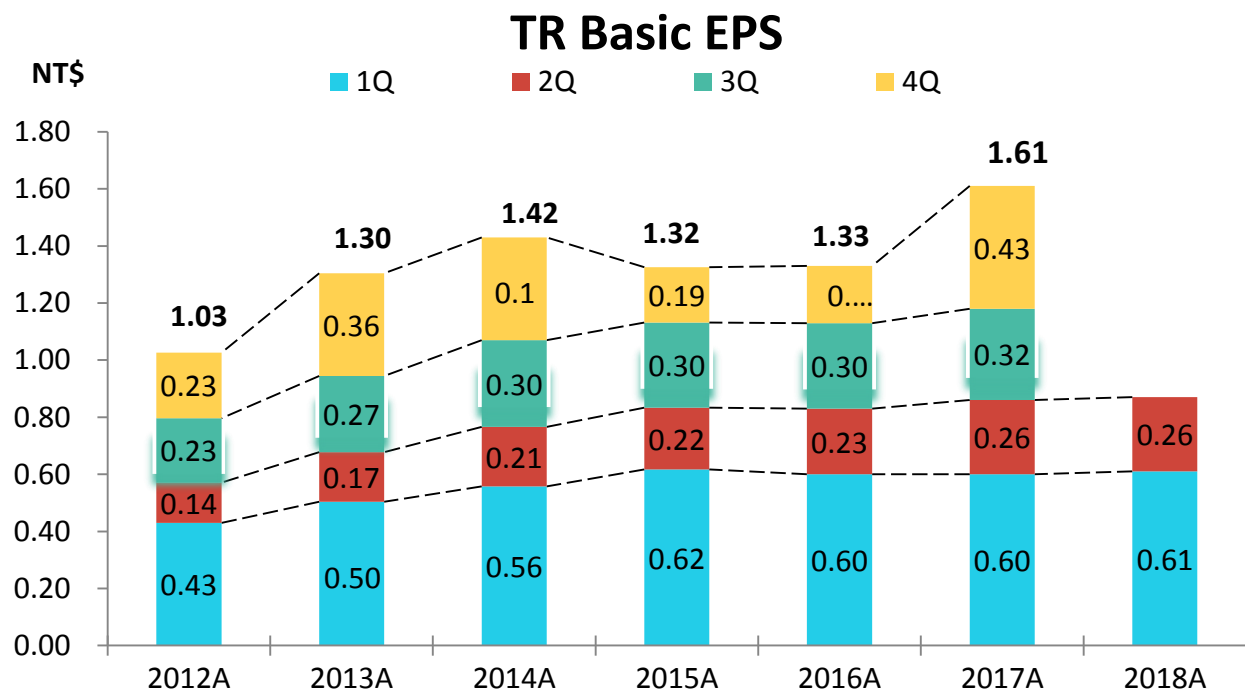
^ HOLA CN included in HOLA China.

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

Stable Cash Div. and High Tax Deductable

NT\$	2013	2014	2015	2016	2017
Cash dividend	1.00	1.13	0.95	1.08	1.20
Payout rate	76.9%	79.6%	72.0%	81.2%	74.5%
Dividend yield	4.42%	5.33%	4.63%	5.49%	5.60%

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



Long-term Investment Value



Only 13 companies in the service industry have remained 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 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.

Best Interests of Shareholders

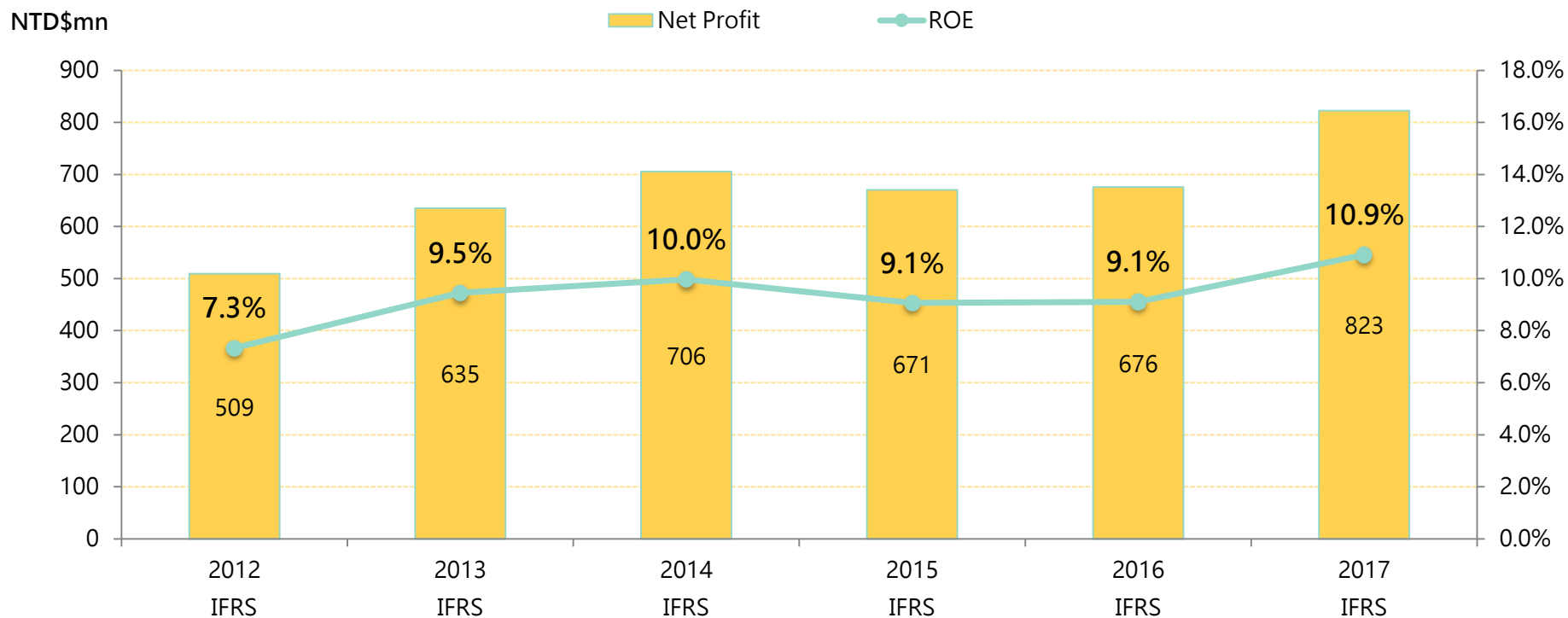
We are committed to the best interests of our shareholders

Stable ROE of 9%-11% over the past 5 years.

Highly transparent

Test Rite is ranked by the TWSE in the top 6%-20% of the best corporate governance public companies.

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 to 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.

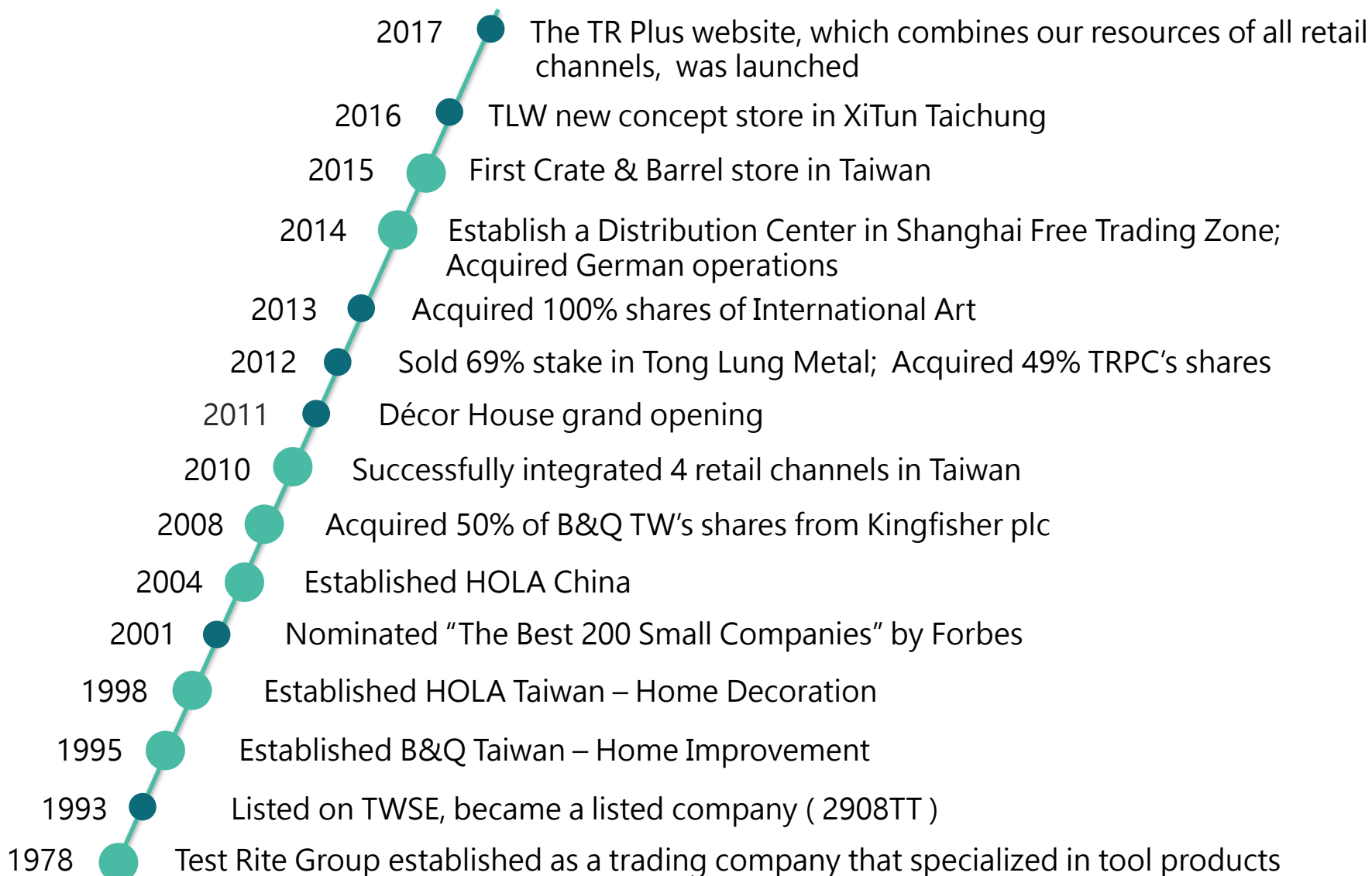


Sophia Tong

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

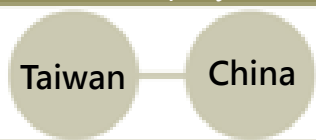


Group Structure

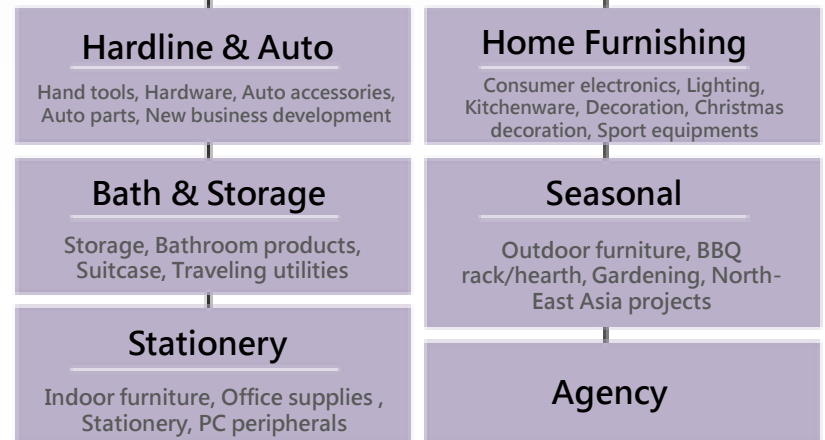
Test Rite Retail Business Group (2018Q2 Revenue: ~NTD\$ 4.53 billion)

Home Decoration	HOLA Taiwan (26) China (26)
Home Improvement	TLW 特力屋 (27), TR HOME SERVICE (3), HISU(2)
Mattresses & Bedding	HOLA CASA (29), HOLA Petite(5), WEDGWOOD(14), FRETTE(5), Zucchi + ELLE(4)
Comprehensive Home Integration Services	DÉCOR House
Brand Agency	Crate & Barrel (2)

Market Deployment



Test Rite Trading Business Group (2018 Q2 Revenue: ~NT\$5.04 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

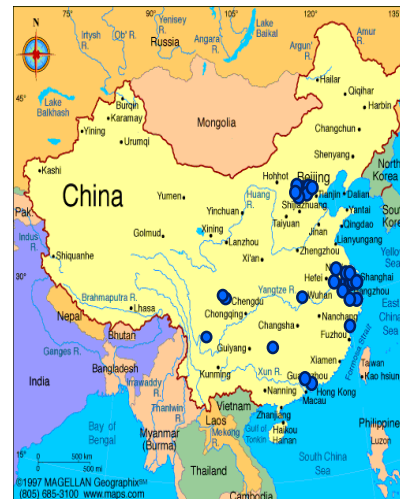
Logistics/ Warehousing Services

China
USA
Taiwan
Europe

Note: store numbers updated as of June 30th, 2018

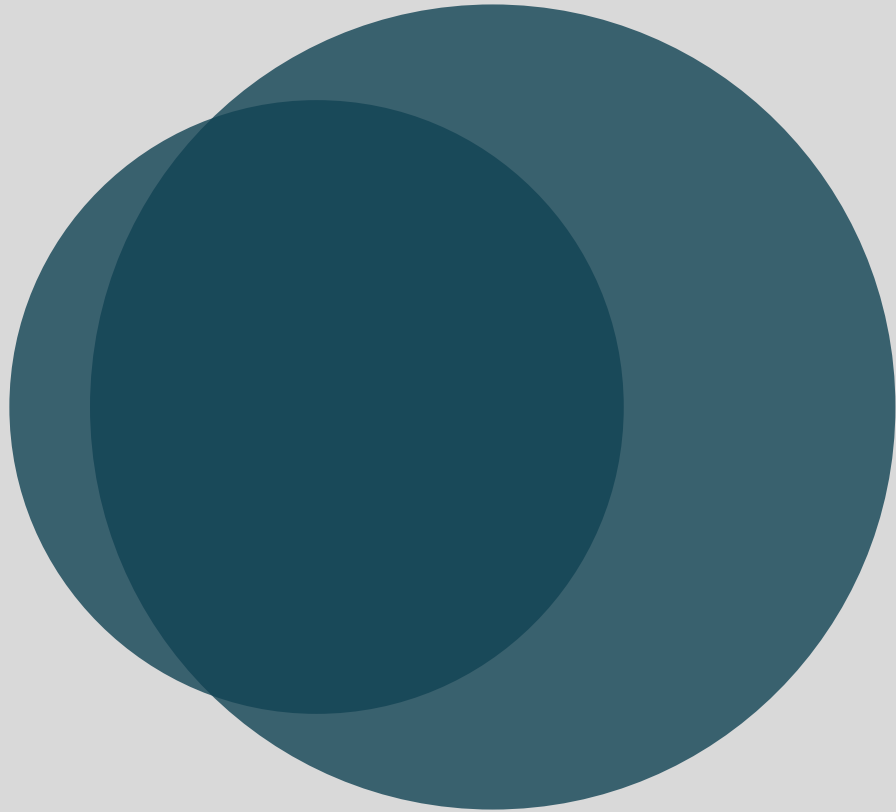
Building the Best "Home-related" Channel

Store #	2012A	2013A	2014A	2015A	2016A	2017A	2Q2018
TLW	24	26	26	26	27	27	27
HOLA TW	21	22	23	24	25	25	26
HOLA CN	31	33	35	38	33	26	26
Avg. selling space(m ²)	2012A	2013A	2014A	2015A	2016A	2017A	2Q2018
TLW	88,711	92,060	92,072	92,072	95,435	95,435	94,554
HOLA TW	51,780	53,117	52,979	54,476	55,443	52,760	50,780
HOLA CN	63,686	62,848	64,860	70,956	62,060	50,112	44,870



Store Locations





Retail Business

Home Improvement

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



Margin Improvement through Private Label

2Q2018

● Sales Mix of PL Products

TLW: 13.3%

HOLA: 36.7%

● Gross margin rate

TLW: 48.4%

HOLA: 52.5%



Mid-term Goal

TLW 15%

HOLA 40%

Long-term Goal

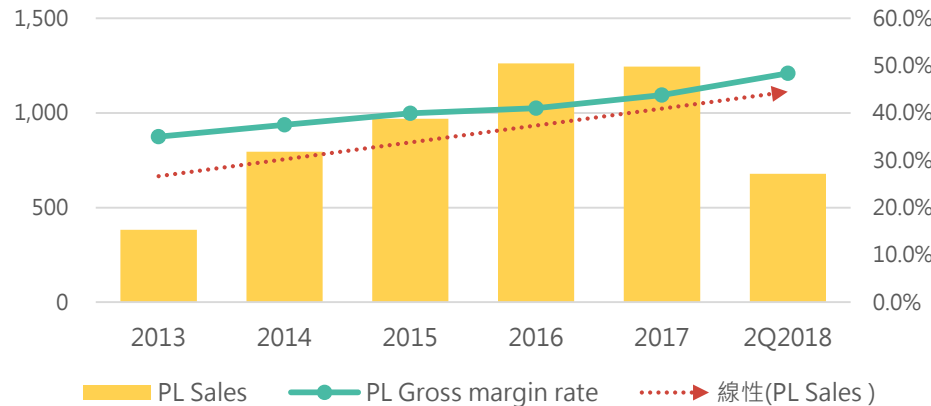
TLW 30%

HOLA 50%

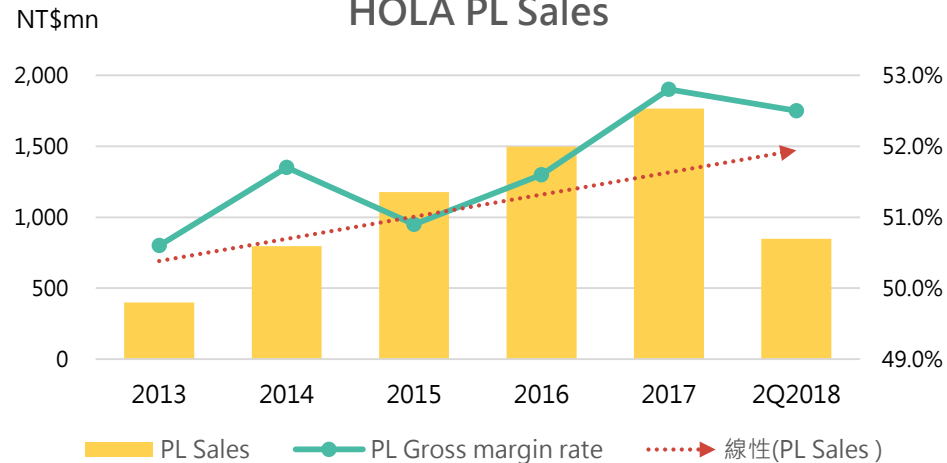
- Cost saving through joint-merchandising.
- Leading home décor trends by strengthening our brand design abilities.



TLW PL Sales



HOLA PL Sales



New PL Product Line – Cookware

Price Competitiveness / Better Margin Rate

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

Omni-Channel Development

2Q2018

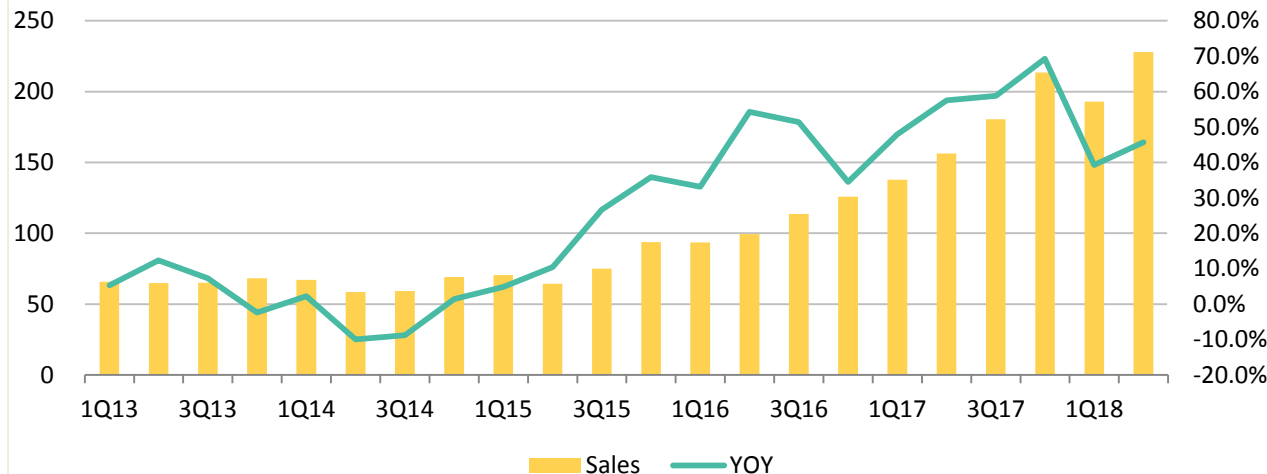
- TLW EC Sales mix 4.8%
Sales amount YOY +37.7%
- HOLA EC Sales mix 3.7%
Sales amount YOY +43.4%



2018 Goal

- Breaking the boundary between online & offline through the integration of POS systems.
- Improving the customer experience in physical stores and providing a unified solution for home improvement/renovation services.
- Putting the "New Retail" concept into action.

EC Online Sales (Quarterly)



TLW online products >40,000

HOLA online products >30,000

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

Note: Online sales does not include sales generated from gift vouchers that are sent from our website but used in 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 shows the TR PLUS website homepage. 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: '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 運動休閒'. A 'Crate 特力幸福家' logo is also present. The main content area is a large banner for a '2018/3/23-4/25 春夏新品上市' promotion. The banner features a bed with floral bedding and a red callout box that says '年中慶暖身 全站88折 線上獨賣 家電淨水92折'. A red button on the right says '打造生活舒適圈 >'. Below the banner are three promotional boxes: a red box with '年中慶暖身 只有今天! 全站88折', a light green box with '年中慶暖身 線上獨賣、家電淨水92折', and a light grey box with '年中慶暖身 節能補助最高現賺1萬2'.

Strengthening the customer experience (TLW)



Strengthening the customer experience (HOLA)



Home Improvement Services



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

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

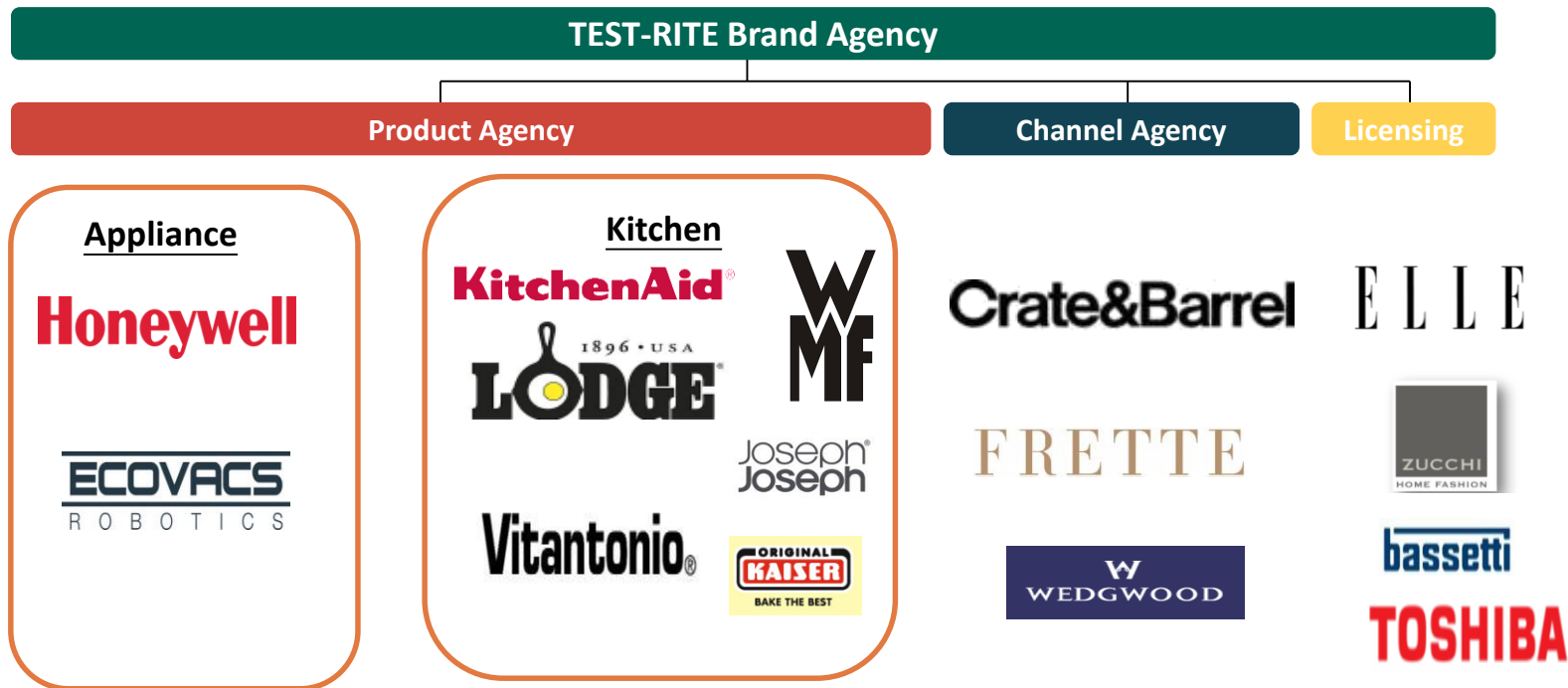
2Q2018

Total 15 brands in Agency Business



2018 Goal

- Increasing brand awareness in the market.
- Expanding sales channels.



HOLA China Strategy

2Q2018

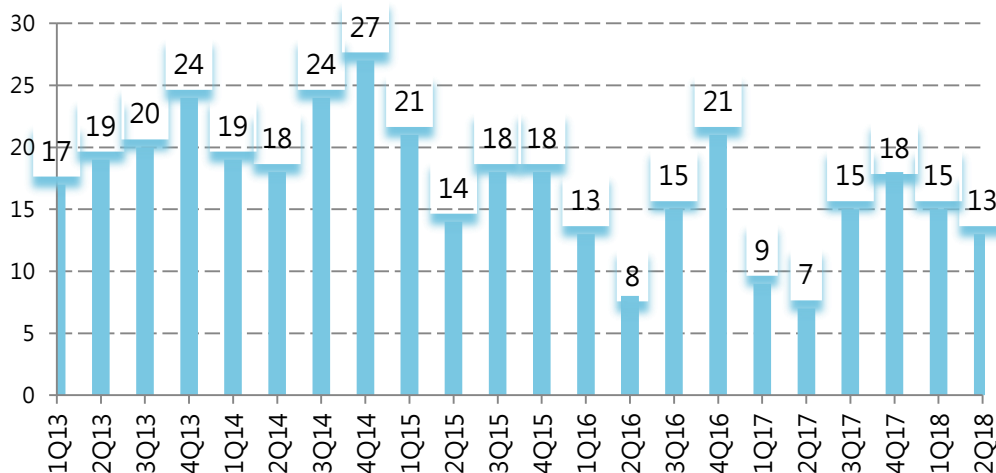
2018 Goal

- Private Label Products Sales mix: 10%
- Self-Supported Products Sales mix: 58.3%

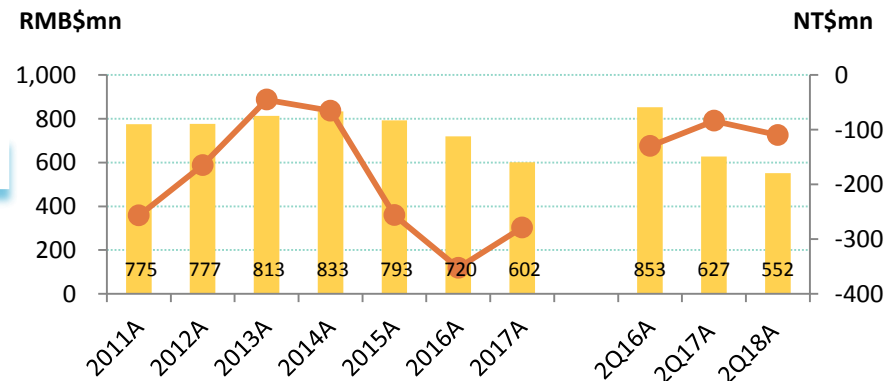


- Increasing self-supported and PL products sales.
- Improving store-level profit and lowering headquarter costs to reach breakeven point.
- Making structural adjustments by actively closing or adjusting space utilization of poorly performing stores.
- Seeking strategic alliance partners.

HOLA CN Breakeven store numbers



HOLA CN Net Sales & Profit



HOLA China New Concept Experience Store

Enhancing interactive experiences and private label products

Our new-concept Shanghai Zhangtai store was reopened on December 8, 2017. The display and sales model of traditional retailing were modified, opening the path to an open and all-encompassing beautiful ambience for a delightful shopping experience.

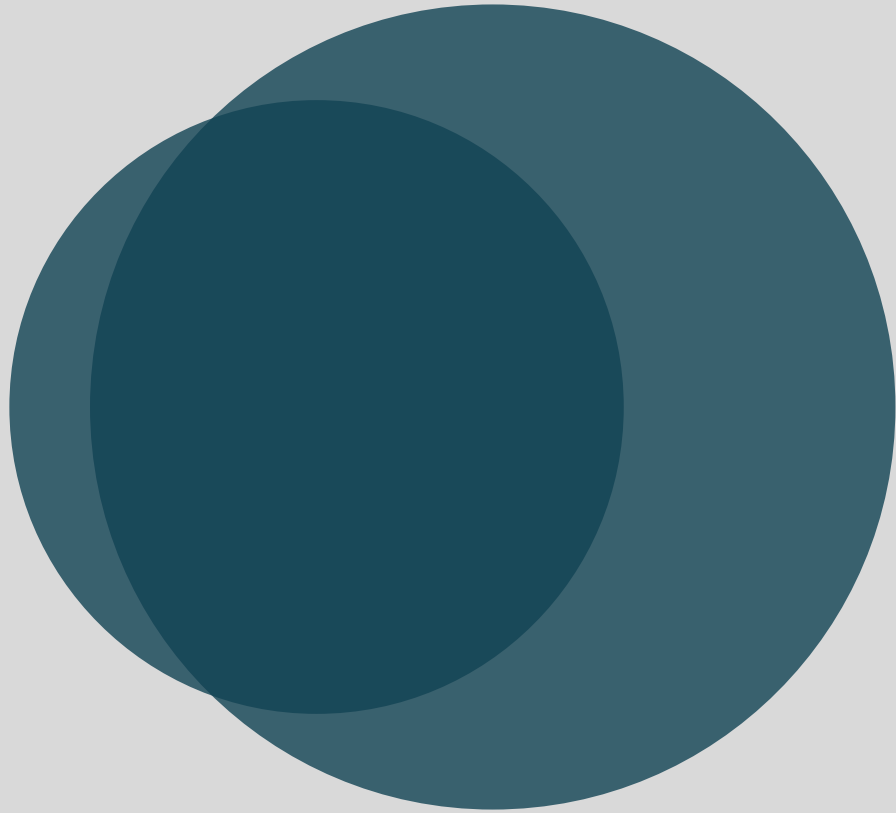


HOLA CHINA – Suning.com Joint Store

We opened the Nanjing Xinjiekou store on February 2, 2018. This was the first joint venture with Suning.com, one of the largest retailers in China.

- Selling space of around 300m².
- Space for efficient sales consultation and optimal use of people and environment.
- Focus on selling key categories and private label products.
- **14 stores opened in the first half of 2018.**
- Share of sales as of the end of July: 1.03%.





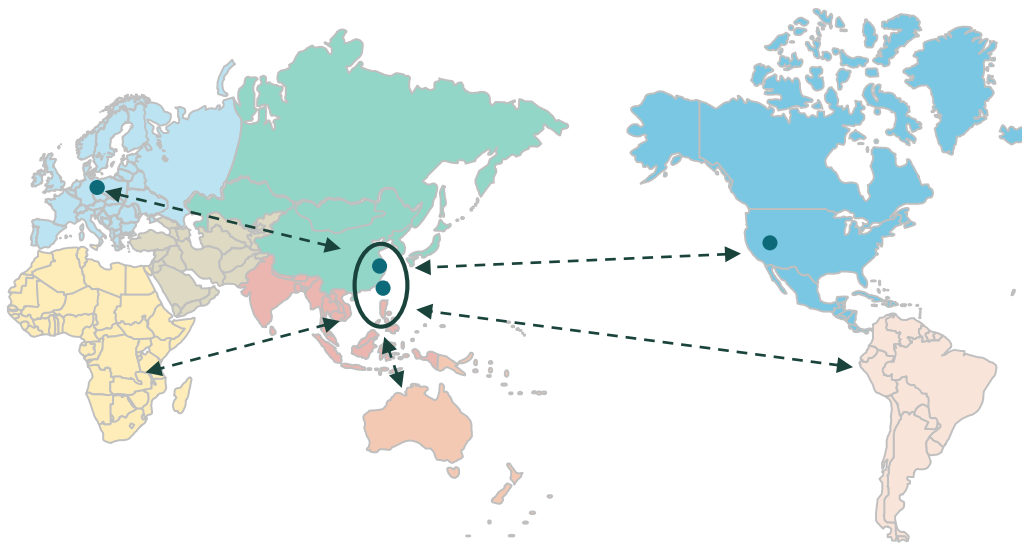
Trading Business

Global Worldwide Network



- Local services via 14 offices in 11 countries/regions, 4 warehouses in China, Taiwan, Germany, and the U.S.
- U.S. warehouse provides logistics and warehousing services to customers for principal trading.

Worldwide Trading Service



China Trading Service



● Test Rite warehouses

Partnerships with Global Retail Giants

Principal trading value-added services and supply chain management



Growth of Agency Trading



N. America Driving Growth

2Q2018

- N. America remained the fastest-growing market.
- Hardline products outperformed.
- Seasonal products was low base a year ago. Shipments up by 17.7% YoY.

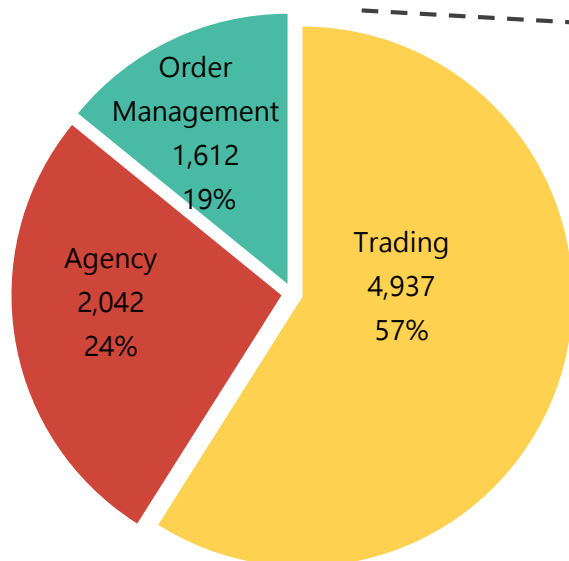


2018 Goal

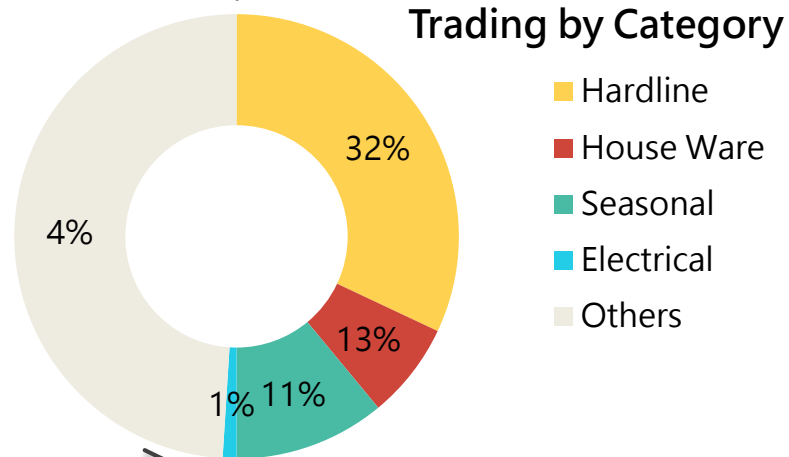
- Maintain momentum in Hardline and House Wares.
- Work closely with strategic partner, Hillman, to increase traditional trading shipments.
- Strengthen self-development and design capabilities and transform into a product company.
- Agency new customer development.

Total Shipment in 2Q

NT\$8,591M



Total Shipment
6.5 % growth YoY



Shipments Growing Rapidly

2Q2018

- Traditional trading had a strong growth in the quarter due to new customers' orders .
- Despite shipments in our agency business having declined slightly in June. Overall volume of shipments still up by 6.5% YoY in the second quarter of the year.



2018 Goal

- Principal Trading: sustain momentum.
- Agency Business: double-digit growth in shipments.
- Order Management: push shipment growth to a new record high.

Shipment Volume	2018	2017	YoY % chg
Principal trading shipment – 2Q18	4,936,523	4,250,850	16.1%
Agency business shipment – 2Q18	3,654,754	3,814,759	-4.2%
- Agency shipment	2,041,942	1,919,139	6.4%
- Order management shipment	1,612,812	1,895,620	-14.9%
Total Shipment – 2Q18	8,591,277	8,065,609	6.5%

Fortifying Product Development and Design Capabilities

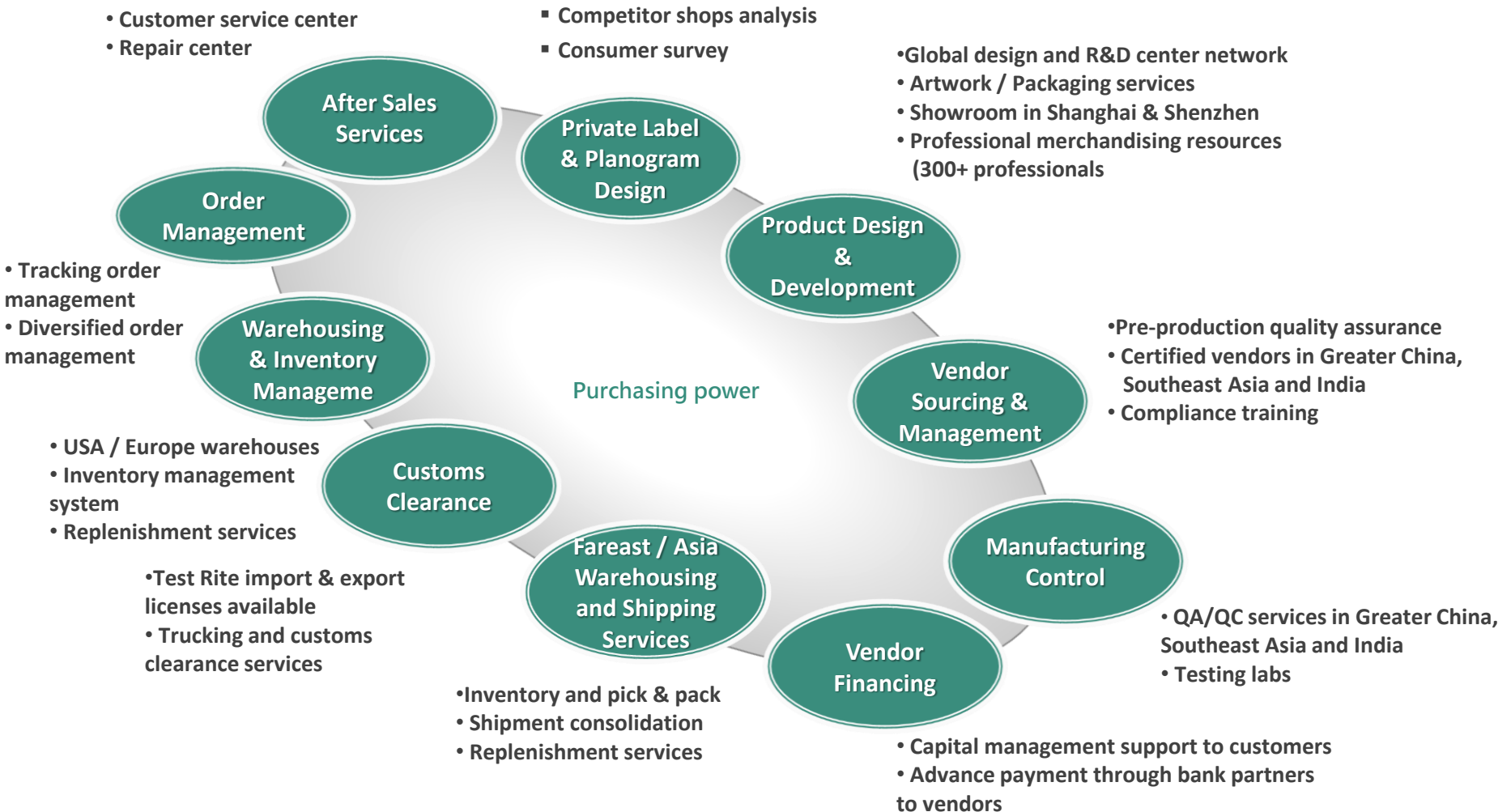
2014-2018

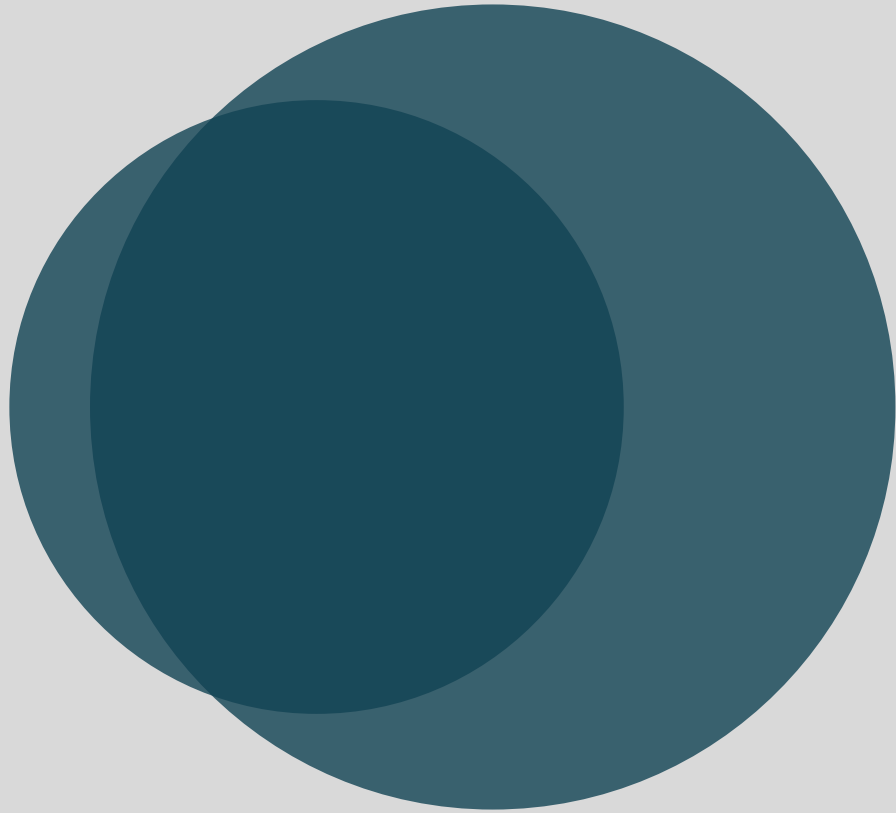
International Design Awards

Since our first attempt and winning of awards in 2014, we have accumulated 11 international design awards, 3 for packing and 8 for product design.



Repositioning-Total Solutions Provider





Appendix

2018 Q2 Consolidated Balance Sheet

(NT\$ mn)	2018	2017		2018	2017
Cash and cash equivalents	2,192	2,172	Short-term borrowings	3,276	4,430
Financial assets at fair value through profit or loss - current	501	431	Short-term notes bills payable	80	
Contract asset-current	376		Contract liability-current	203	92
Financial assets at amortized cost-current	68		Financial liabilities at fair value through profit or loss – current		
Debt investments with no active market - current		74	Accounts and notes payable	6,429	5,433
Accounts & notes receivable	4,436	3,569	Dividends payable	612	551
Other receivable	364	284	Other payable	1,726	1,484
Inventories	5,537	6,117	Current tax liabilities	116	198
Prepayments	355	277	Advance receipts	599	563
Other current financial assets	17	20	Current portion of long-term borrowings	800	490
Other current assets	44	3	Other Current tax liabilities	92	63
Total current assets	13,890	12,947	Total current liabilities	13,932	13,303

2018Q2 Consolidated Balance Sheet – con.

(NT\$ mn)	2018	2017		2018	2017
Financial assets measured at cost - non-current	58		Long-term borrowings	4,522	3,249
Debt investments with no active market - non-current		94	Deferred tax liabilities	25	24
Financial assets at amortized cost-non-current	113	203	Other non-current Liability	423	493
Property, plant and equipment	7,113	5,862	Total non-current liabilities	4,970	3,766
Goodwill and intangible assets	2,627	2,574	Total liabilities	18,902	17,069
Deferred tax assets	1,283	1,310			
Refundable Deposits	805	800			
Other non-current assets	523	600	Share capital	5,099	5,099
Total non-current assets	12,522	11,444	Capital surplus	648	648
			Retained earnings	1,895	1,721
			Other equity	(182)	(205)
			Treasury shares		
			Total equity attributable to owners of the Company	7,460	7,263
			Non-controlling interests	50	59
			Total equity	7,510	7,322
Total assets	26,412	24,391	Total liabilities & equity	26,412	24,391

THANK YOU
